BEST'S *Insurance News*

VOLUME 51, NO. 4 AUGUST, 1950

ADMITTED ASSETS

CASUALTY RECIPROCAL UNDERWRITING

One Man's Opinion . . . . . B. C. Vitt

They've Got to Like You . . . . . Ralph R. Swope

Personnel Audit for Selling . . . . . W. F. Arnold

Liability Above Policy Limits . . . . . William P. Harper

Compulsory Division of Commissions . . . . Edmund T. Delaney

Outlook for Fidelity and Surety . . . . . Horace T. Cator

C.P.C.U. Questions and Answers . . . . . American Institute

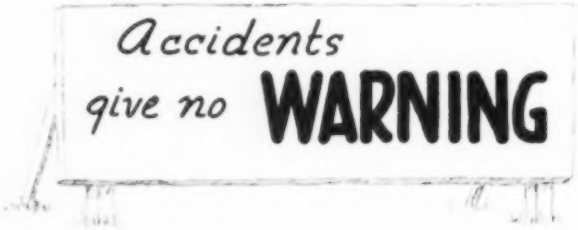
Social Security . . . . . Oscar R. Ewing

Knowledge Is Selling Power . . . . . J. M. Wylie

The Judge Says . . . . . Thomas E. Lipscomb

Insurance Stock Quotations—Best's Stock Index—Company Developments—Conventions Ahead—Loss Logic—Legal Spotlight—A. & H. Developments—Home Office and Field Appointments—Fire Losses—Safety and Fire Control—Quiz of the Month—Sales Slants—Reports on Companies

THE NATIONAL MAGAZINE OF INSURANCE



There's no way of knowing who or where accidents will strike. No one knows when catastrophe is headed his way.

One thing you do know — one out of ten of your clients and prospects *will be accidentally injured during 1950.*

Who is going to pay the bills which follow these accidents?

Will your client or prospect pay them and then wonder why you didn't put more emphasis on the importance of Accident insurance protection for him?

Or will Accident insurance — the Modern Accident policy with The Travelers — be right there to assume the medical and hospital expenses and provide the all-important income?

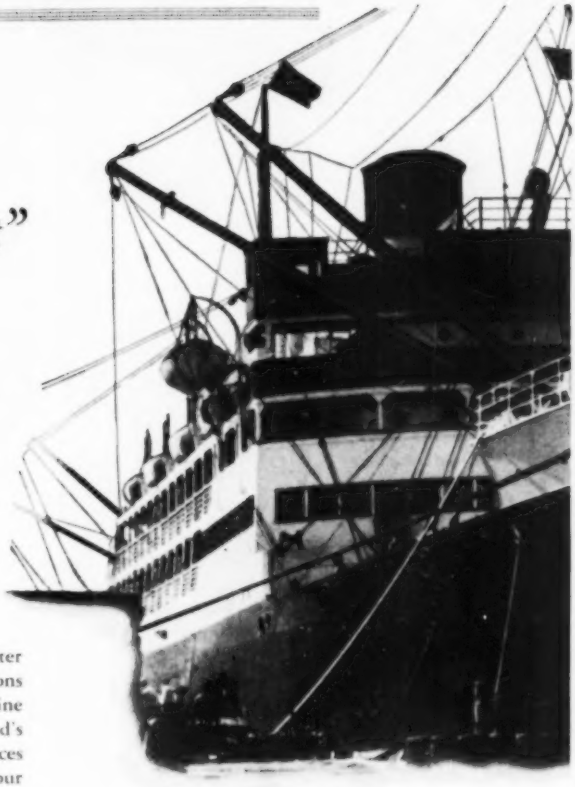
A number of persons you know are going to have accidents. They'll be grateful to you if they are protected by a *Travelers Modern Accident Policy.*

The Travelers INSURANCE COMPANIES HARTFORD CONNECTICUT

THE TRAVELERS INSURANCE COMPANY

HARTFORD, CONNECTICUT

Don't "Miss the Boat" on Ocean Cargo Coverage!



You can be a long way from salt water and still cash in on extra commissions from Ocean Cargo Coverage. Marine insurance originates where the assured's interest in the goods attaches, and chances are that plenty of manufacturers in your area either export part of their production or import some raw materials.

Show these manufacturers that you, their *local* agent, can easily compete — both in coverage and rates — with ocean cargo insurance arranged by customs brokers, freight forwarders and steamship companies. You can offer a wide choice of protection for every client's needs. The Ocean Policy covers individual shipments from shipping point to destination, including risks to and from warehouse. The Open Policy gives automatic protection on all shipments and reports are made to the company when information is available to the assured.

Don't overlook Ocean Cargo coverage as a source of profitable new business for you. As always, your local Fire Association or Reliance field man is ready to work with you in setting up a program. Have you talked with him recently?

Head Offices: 401 Walnut St., Philadelphia 6, Penna. Branches in Atlanta, Chicago, Dallas, New York, San Francisco, Toronto. Claims and Settling Agents throughout the world.

SINCE 1817 *Symbols of Security* SINCE 1841

Fire Association

Reliance

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1. Woeful Will, a worrier, was scared of family traveling. "We'll have to take the kids," said he; "we'll find our wits unraveling!" "Don't worry, Will," his wife replied. "The Statler's where we'll go, and they *like kids*. They'll help with ours, and we'll have fun, I know."

2. Their dinner at the Statler had the children cheering, too. A special children's menu, free balloons when they were through, and Statler's famous food sure pleased the family—big and small. (They even mixed the formula . . . and Baby drank it all!)

3. They ordered breakfast in their room (and was that breakfast *good!*). "Why, I'm *enjoying* this," said Will. "I never thought I would. I'll bet more folks would travel with their children, if they knew how *easy* Statler makes it, for the kids—*and parents, too!*"

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INSURANCE STOCKS

Closing Bid Prices

Furnished through the courtesy of The First Boston Corporation

	High	Low	July 31, 1950
Aetna Casualty & Surety Company	99	84	88
Aetna Insurance Company	66½	49½	51¼
Aetna Life Insurance Company	82	50¼	—
Aetna Life Insurance Company (New)	66½	49½	50¼
Agricultural Insurance Company	75	63	64½
American Alliance Insurance Company	27	22½	22½
American Automobile Insurance Company	55	42½	45½
American Casualty Company	18½	14	15
American Equitable Assurance Company	26½	20½	20⅝
American Insurance Company	22⅝	17¼	17⅞
American Re Insurance Company	34¼	26	24¾
American Surety Company	65	53	54½
Automobile Insurance Company	62¼	48	52
Bankers & Shippers Insurance Company	110	93	94
Boston Insurance Company	65½	51	51
Camden Fire Insurance Association	23⅞	20	20⅝
Connecticut General Life Insurance Co.	80	64	73½
Continental Casualty Company	75½	64	—
Continental Casualty Company (New)	55½	51½	51½
Continental Insurance Company	78⅝	55½	59⅛
Eagle Fire Insurance Company	2	1½	1⅞
Employers Group Associates	39¾	33	33
Employers Reinsurance Company	63	57	57
Excess Insurance Company of America	8¼	7½	7½
Federal Insurance Company	71½	61½	61½
Fidelity & Deposit Company of Maryland	66½	57½	58
Fidelity-Phenix Insurance Company	82¾	57	59
Fire Association of Philadelphia	74¾	54½	54¾
Fireman's Fund Insurance Company	94½	82¼	82½
Fireman's Insurance Company (Newark)	23¼	17¾	17⅞
General Reinsurance Corporation	31¾	22¾	23¼
Glens Falls Insurance Company	53¾	45	46½
Globe & Republic Insurance Company	13⅞	10½	10⅞
Globe & Rutgers Insurance Co. (New)	19¾	13	13
Great American Insurance Company	32¼	26¾	27½
Hanover Fire Insurance Company	37½	28½	29
Hartford Fire Insurance Company	124½	105	109
Hartford Steam Boiler Inspec. & Ins. Co.	38½	30¾	31¼
Home Insurance Company	38	30¾	31¼
Insurance Company of North America	115	99½	99½
Jersey Insurance Company of New York	55½	47	46
Kansas City Fire & Marine Insurance Co.	23¼	20	20½
Lincoln National Life Insurance Company	116½	83	100
Maryland Casualty Company	21	15½	15½
Maryland Casualty Conv. Pfd.	26⅛	21	22
Massachusetts Bonding & Insurance Co.	32½	25¾	26
Merchants Fire Assurance Corporation	33¼	25½	25½
Merchants & Mfrs. Fire Insurance Co.	8⅞	7½	7½
Monumental Life Insurance Company	38¾	35½	37
National Casualty Company	34	29	29
National Fire Insurance Company	66¼	53	53¼
National Union Fire Insurance Company	39⅛	30	31½
New Amsterdam Casualty Company	42	31¾	31¾
New Hampshire Fire Insurance Company	48½	40	41½
New York Fire Insurance Company	20½	16	16
Northern Insurance Company	130	112	—
Northern Insurance Company (New)	50	41½	43
North River Insurance Company	27¾	23¾	23¾
Northeastern Insurance Co. of Hartford	7¾	6⅝	6⅝
Northwestern National Insurance Co.	175	158	—
Northwestern National Ins. Co. (New)	45½	43	45
Ohio Casualty Insurance Company (The)	59½	53½	59½
Pacific Fire Insurance Company	142	129	130
Pacific Indemnity Company	65½	60½	61
Peerless Casualty Company	17¼	14¼	14¾
Phoenix Insurance Company	100½	99	—
Phoenix Insurance Company (New)	83¾	68	70
Preferred Accident Insurance Company	5⅞	3⅛	3⅜
Providence Washington Insurance Co.	37	29	29
Reinsurance Corporation of New York	7⅞	6¾	7⅜
Republic Insurance Company—Texas	34	31	33
St. Paul Fire & Marine Insurance Co.	104	95	96
Seaboard Surety Company	60	51½	52
Security Insurance Co. (New Haven)	38¼	29¼	29½
Springfield Fire & Marine Insurance Co.	48½	41½	42½
Standard Accident Insurance Company	40½	31	31
Travelers Insurance Company	485	410	414
U. S. Fidelity & Guaranty Company	62½	40	42¾
U. S. Fire Insurance Company	69½	64½	66½
U. S. Guarantee Company	84½	74½	74½
Westchester Fire Insurance Company	23	18¾	19

Best's Insurance News

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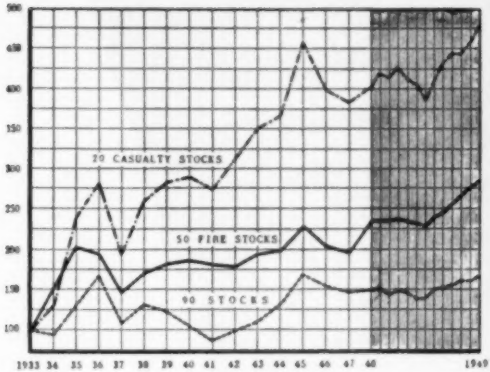
BEST'S STOCK INDEX



* Based on Standard & Poor's daily stock price indexes of 50 industrial 20 railroad and 20 public utility stocks combined.

	CASUALTY			FIRE		
	1948	1949	1950	1948	1949	1950
Jan. 31.....	390.1	420.2	479.0	201.4	237.3	279.3
Feb. 28.....	371.0	414.7	496.8	195.4	237.6	286.6
Mar. 31.....	388.6	427.1	486.9	206.7	241.1	283.3
Apr. 30.....	393.6	413.9	478.1	213.4	234.5	273.8
May 31.....	410.5	405.9	492.8	227.3	232.1	282.9
June 30.....	400.4	387.6	445.0	215.1	227.4	273.4
July 31.....	388.4	413.1	413.1	203.8	239.2	253.6
Aug. 31.....	388.4	432.7		206.2	245.8	
Sept. 30.....	375.6	443.4		212.5	258.9	
Oct. 31.....	410.1	445.5		232.2	266.8	
Nov. 30.....	384.6	458.2		223.3	275.9	
Dec. 31.....	403.2	478.1		236.3	285.7	

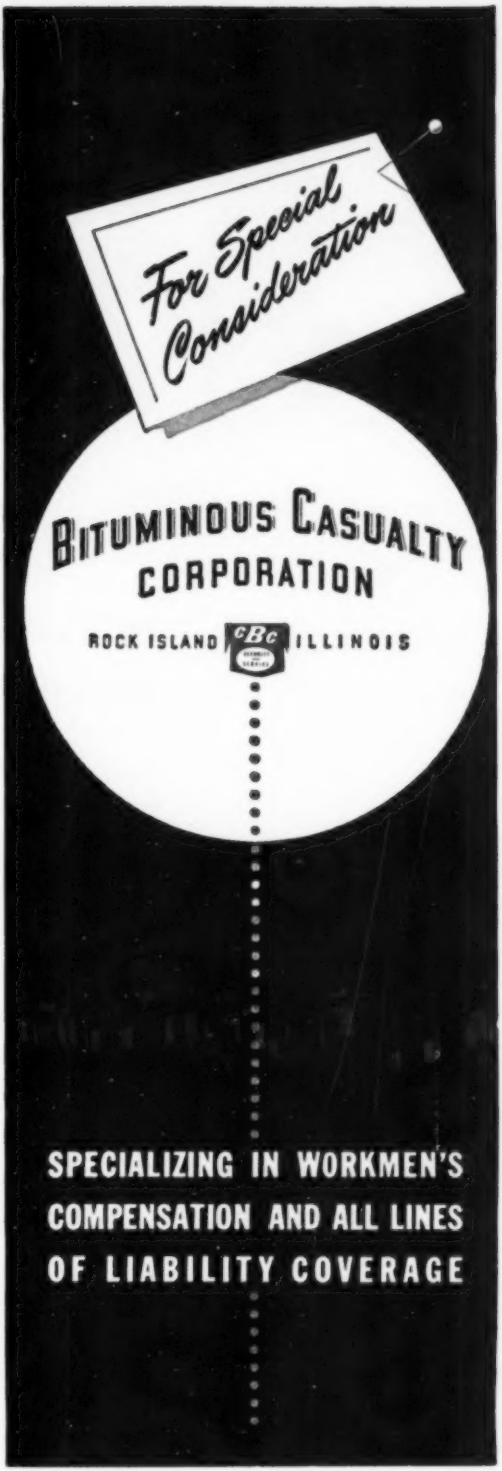
THE market for insurance company shares displayed resistance during the closing week of July against further downward pressure. Earlier weakness, marked by a relatively low turnover of shares as investors awaited developments on the Korean front, is reflected by our index of 15 casualty stocks which moved down to 413.1 at the end of July, a decrease of more than 7% for the month. This was in the wake of a reaction of nearly 10% during the preceding month from the 492.8 index level at the close of May. Shrinkage in fire shares' values during July was equally as large as the percentage decline recorded by casualty stocks. Our fire index at the close of July was at 253.6 as against 273.3 at the end of June and in contrast with the 282.9 in May.

Fire Stocks

Of the 24 fire stocks making up our index, all but one—Springfield Fire & Marine, which held its June 30th level—were down, the percentages of decrease ranging from 1.4 to 11.2. In general the stocks which had held more firm in June showed a greater percentage decrease in July while those which had not lost as greatly in June had a larger drop in July.

Casualty Stocks

All 15 of the casualty stocks comprising our index showed losses with the least decrease registered by Fidelity & Deposit off 1.7%. This modest drop, however, followed a decline of 10.6% in June. The greatest drop was in the stock of General Reinsurance with a decline of 14.3%.



In Personal Liability Protection AMERICAN-ASSOCIATED Leads

When you offer an *American-Associated* policy to a customer or prospect, you generally enjoy a "fair advantage." For example, our new Comprehensive Personal Liability policy—approved in most states—contains many *extra* coverage features not found in the standard form.

This is only one of the many ways the aggressive, independent leadership of *American-Associated* can contribute to your business success.

It pays to keep in close touch with your local *American-Associated* office.

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FIRE AND CASUALTY EDITION

VOLUME 51, NO. 4 **AUGUST, 1950**

Leading Features . . . .

EDITORIALS

Editors' Corner 11
Admitted Assets—Stock Companies 15
Casualty Reciprocal Underwriting 16
Admitted Assets—Mutual Companies 17

GENERAL

One Man's Opinion 18
They've Got to Like You 21
Personnel Audit for Selling 25
Liability Above Policy Limits 29
Compulsory Division of Commissions 33
Outlook for Fidelity and Surety 37
C.P.C.U. Questions and Answers 39
Social Security 51
The Fifth Horseman 81
Knowledge Is Selling Power 89
The Judge Says 91

OFFICE METHODS

Microfilming Titles 55
Modern Aids to Office Efficiency 56
Evaluating Insurance Jobs—Part III 57
Around the Office 58
Office Equipment Directory 67

MISCELLANEOUS

Accident and Health Developments 51
Company Developments 8
Conventions Ahead 12
Fire Losses 80
Home Office and Field Appointments 77
Insurance Stock Quotations—Best's Stock Index 4, 5
Legal Spotlight 33
Loss Logic 29
Quiz of the Month 85
Safety and Fire Control 81
Sales Slants from Other Fields 89
Reports on Companies 95–102

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DETROIT
J. E. FRAWLEY, GENERAL MANAGER

COMPANY DEVELOPMENTS

A SUMMARY of the insurance company developments throughout the United States and Canada in recent months appears hereafter. This summary includes notices of examinations conducted, and also new, licensed and retired companies.

ALABAMA — Licensed
Union Fire Insurance Co. ..... Birmingham, Ala.

Admitted
Commercial Benefit Ins. Co. ..... Phoenix, Ariz.
Kansas City Fire and Marine Ins. Co. ..... Kansas City, Mo.

ARIZONA — Admitted
Central National Ins. Co. of Omaha ..... Omaha, Neb.
Erie Insurance Company ..... New York, N. Y.
Pan American Casualty Co. ..... Houston, Texas
Warner Reciprocal Insurers ..... Chicago, Ill.

ARKANSAS — Licensed
Jefferson Insurance Co. ..... Pine Bluff, Ark.

Admitted
Central National Ins. Co. of Omaha ..... Omaha, Neb.

CALIFORNIA — Admitted
Heartlstone Ins. Co. ..... Boston, Mass.

CONNECTICUT — Admitted
Affiliated F M Ins. Co. ..... Providence, R. I.

DELAWARE — Admitted
Affiliated F M Ins. Co. ..... Providence, R. I.
American Fidelity Company ..... Montpelier, Vt.
American Fidelity Fire Ins. Co. ..... New York, N. Y.
Blackstone Mutual Fire Ins. Co. ..... Providence, R. I.
Louisville Fire and Marine Ins. Co. ..... Louisville, Ky.
Manufacturers Mutual Fire Ins. Co. ..... Providence, R. I.
Provident Life and Accident Ins. Co. ..... Chattanooga, Tenn.

FLORIDA — Examined
Pan-American Surety Co. ..... West Palm Beach, Fla.

GEORGIA — Admitted
Affiliated F M Ins. Co. ..... Providence, R. I.
Truck Insurance Exchange ..... Los Angeles, Cal.

Examined
Southern Mutual Ins. Co. ..... Athens, Ga.

KENTUCKY — Admitted
American Title and Ins. Co. ..... Miami, Fla.

MAINE — Admitted
Affiliated F M Ins. Co. ..... Providence, R. I.

MICHIGAN — Admitted
Affiliated F M Ins. Co. ..... Providence, R. I.

Reinsured
Professional Underwriters ..... Grand Rapids, Mich.

MINNESOTA — Admitted
Affiliated F M Ins. Co. ..... Providence, R. I.
Ohio Ins. Co. ..... Hamilton, Ohio
United Ins. Co. ..... Chicago, Ill.

MISSOURI — Admitted
Government Employees Ins. Co. ..... Washington, D. C.
Massachusetts Casualty Ins. Co. ..... Boston, Mass.

MONTANA — Admitted
Fire Insurance Exchange ..... Los Angeles, Calif.
Guarantee Ins. Co. ..... Los Angeles, Calif.

NEVADA — Admitted
American Fidelity Fire Ins. Co. ..... New York, N. Y.

NEW HAMPSHIRE — Admitted
Penn-Liberty Insurance Co. ..... Philadelphia, Pa.
Resolute Insurance Co. ..... Providence, R. I.

Withdrew
Alliance Insurance Co. ..... Philadelphia, Pa.
Eagle Indemnity Co. ..... New York, N. Y.

NEW JERSEY — Admitted
Universal Underwriters Ins. Co. ..... Kansas City, Mo.

NEW YORK — Merged

Eagle Indemnity Co. ..... New York, N. Y.

Examined

Assurance Company of America ..... New York, N. Y.
Eagle Star Insurance Co., Ltd. ..... London, Eng.
Fidelity and Casualty Co. of N. Y. ..... New York, N. Y.
Genesee County Patrons Fire Relief Assn. ... Batavia, N. Y.
Merchants Indemnity Corp. of N. Y. ..... New York, N. Y.
Metropolitan Fire Assurance Co. ..... New York, N. Y.
Northern Insurance Co. of N. Y. ..... New York, N. Y.
Olive Co-operative Fire Ins. Assn. ..... Kingston, N. Y.
Onondaga County Patrons Fire Relief Assn. .. Manlius, N. Y.
Ontario County Patrons Fire Relief Assn. .. Macedon, N. Y.
Orleans County Farmers Mutual Ins. Co. .... Albion, N. Y.
Paramount Fire Ins. Co. ..... New York, N. Y.
United National Indemnity Co. ..... New York, N. Y.

OHIO — Admitted

Harford Mutual Ins. Co. ..... Bel Air, Md.

Examined

Kemba Mutual Ins. Assn. ..... Cincinnati, Ohio
Mansfield Mutual Fire Ins. Co. ..... Mansfield, Ohio

PENNSYLVANIA — Admitted

Affiliated F M Ins. Co. ..... Providence, R. I.
Truck Insurance Exchange ..... Los Angeles, Cal.

Examined

Allen and East Pennsboro Mutual Fire Ins. Co. Mechanicsburg, Pa.
Berwind Exchange ..... Philadelphia, Pa.
Centennial Mutual Fire Ins. Co. ..... Shippensburg, Pa.
Germantown Fire Ins. Co. ..... Philadelphia, Pa.
Husbandmans Mutual Fire Ins. Co. ..... Port Royal, Pa.
Juniata Farmers' Mutual Fire Ins. Co. .... McAlsterville, Pa.
Mutual Fire Ins. Co. of Hummelstown .... Hummelstown, Pa.
Schuylkill Mutual Fire Ins. Co. ..... Orwigsburg, Pa.

RHODE ISLAND — Admitted

Hingham Mutual Fire Ins. Co. ..... Hingham, Mass.

SOUTH CAROLINA — Licensed

Atlantic Casualty and Fire Ins. Co. ..... Anderson, S. C.
Fort Sumter Mutual Ins. Co. ..... Columbia, S. C.

Admitted

Truck Insurance Exchange ..... Los Angeles, Cal.
Universal Underwriters Ins. Co. ..... Kansas City, Mo.

TENNESSEE — Licensed

National Service Fire Ins. Co. ..... Memphis, Tenn.

Admitted

Affiliated F M Ins. Co. ..... Providence, R. I.
Commercial Benefit Ins. Co. ..... Phoenix, Ariz.

TEXAS — Licensed

Employers Indemnity Co. ..... Dallas, Texas
The Insurance Co. of Texas ..... Dallas, Texas

UTAH — Admitted

American Fidelity Fire Ins. Co. ..... New York, N. Y.
Home Title Guaranty Co. ..... Brooklyn, N. Y.
Hawkeye-Security Ins. Co. ..... Des Moines, Iowa

Merged

Allied Mutual Ins. Co. ..... Salt Lake City, Utah

VERMONT — Examined

Burlington Mutual Fire Ins. Co. ..... Burlington, Vt.
Granite Manufacturers Mutual Ind. Co., Inc. ..... Barre, Vt.

WASHINGTON — Admitted

American Fidelity Fire Ins. Co. ..... New York, N. Y.
Bankers Fire and Marine Ins. Co. ..... Birmingham, Ala.
Group Health Mutual, Inc. ..... St. Paul, Minn.
Michigan Mutual Liability Co. ..... Detroit, Mich.

WISCONSIN — Admitted

Central National Ins. Co. ..... Omaha, Neb.

(Continued on page 12)

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535 Homer Street, Vancouver, B. C.

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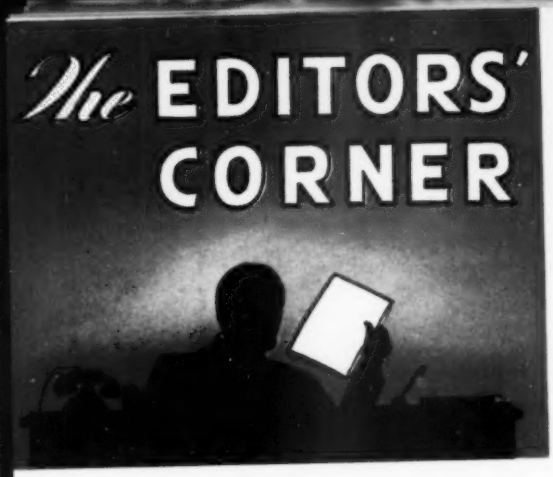

AUGUST, 1950

*** Problems faced by investment departments of insurance companies have been similar to those faced by virtually all institutional investors and they have been solved in about the same way. Lower interest rates, refinancing and refunding of many bond and preferred stock issues and government deficit financing have led inevitably to a tremendous increase in holdings of U. S. Government bonds. Although this development overshadows all other changes, there have been some significant shifts in emphasis among other classes of securities as outlined in the study *Admitted Assets* on page 15 for the stock carriers and on page 17 for the mutual carriers.

*** It seems that as soon as one set of problems is mastered a new group demands the attention of insurance men. Any list of today's trouble spots would no doubt include the encroachment of Federal and state governments on the prerogatives of private business, the present rating mechanism, the term rule and the stabilization of commissions. On page 18 is *One Man's Opinion* on these problems and their possible solutions.

*** To build a clientele an insurance agent must be many things to many people. He must have a friendly and competent interest in his clients' interests. He must maintain and enlarge personal contacts which requires solicitation and advertising. As the agent who writes on page 21 says, people do business with those persons whom they like, and for you to succeed *They've Got to Like You*.

*** It costs money to train a salesman and, if he subsequently turns out to be unsatisfactory, that money is wasted. For some time now a controversy has been raging as to how much of this waste can be avoided by the use of scientific selection aids in the choosing of sales trainees. On page 25 is an article by a sales executive from outside the insurance industry on the *Personnel Audit for Selling* used by his company.

*** Under present economic conditions, there have been an increasing number of liability judgments in excess of policy limits. Unless these cases are properly handled there is a serious danger of the carrier being held responsible for this excess. The treatment of this subject by the author of *Liability Above Policy Limits* on page 29 is so comprehensive and well documented that space prevents it being presented in full in this issue. The concluding installment will appear in our September issue.

*** Some states require that the countersigning agent retain a substantial part of the commission; others specify a lower percentage to be retained. There are in addition some states without provision for compulsory division and some others which rely on reciprocal agreements with their sister states. The legal phases of this *Compulsory Division of Commissions* is explored both prior to and subsequent to the South-Eastern Underwriters case in the article on page 33.

*** Fidelity and surety writings have experienced a healthy although modest growth during the last ten years and a much greater growth is possible during the coming decade. This growth, however, will depend to a large extent on the quality and quantity of education of company men, agents and buyers in this line. For a picture of the *Outlook for Fidelity and Surety*, see page 37.

*** The original Federal Social Security Act was passed in 1935 providing old age benefits and Federal assistance for state unemployment compensation programs. In 1939 survivors' benefits were added to the Federal program. Now H.R. 6000, a general overhaul of the act, has been passed by the House of Representatives and is under consideration by the Senate. On page 51 the Federal Security Administrator describes those next steps in *Social Security*.

*** A sixteen-year-old Texas Miss wrote a contest essay on the destructiveness of fire which sparkles with the vivaciousness of people her age. Perhaps it will help to overcome the apathy which sometimes is present in her elders. It is on page 81 under the title *The Fifth Horseman*.

*** Successful salesmen make it a practice to be prepared for every eventuality because they know that the slightest detail may be the difference between winning and losing a sale. They rely on knowledge; knowledge of their product, of their market and of the best way to sell their product, rather than on their ability to improvise. This is because they have found that *Knowledge is Selling Power*. See page 89.

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COMPANY DEVELOPMENTS—from page 9

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Provident Life and Accident Ins. Co.		Chattanooga, Tenn.
ALASKA	Admitted	
National Grange Mutual Liability Co.		Keene, N. H.
Peerless Casualty Co.		Keene, N. H.
ALBERTA	Admitted	
American Union Ins. Co.		New York, N. Y.
NOVA SCOTIA	Admitted	
Calvert Fire Ins. Co.		Philadelphia, Pa.

CONVENTIONS AHEAD

AUGUST

21–22 Wyoming Association of Insurance Agents, annual meeting, Kemmerer.

24–25 Minnesota Association of Insurance Agents, annual meeting, Hotel Nicollet, Minneapolis.

SEPTEMBER

6– 7 Society of Chartered Property & Casualty Underwriters, national convention, Cleveland, Ohio.

8– 9 Maine Association of Insurance Agents, annual meeting, Rangeley Sheraton Hotel, Rangeley.

10–12 Montana Association of Insurance Agents, annual meeting, Northern Hotel, Billings.

10–12 Pennsylvania Association of Insurance Agents, annual meeting, Bedford Springs Hotel, Bedford.

11–12 South Dakota Association of Insurance Agents, annual meeting, Cataract Hotel, Sioux Falls.

11–12 West Virginia Association of Insurance Agents, annual meeting, Greenbrier Hotel, White Sulphur Springs.

13–14 New Hampshire Association of Insurance Agents, annual meeting, Granliden Hotel, Sunapee.

13–15 Washington Association of Insurance Agents, annual meeting, Spokane.

14–16 Federation of Insurance Counsel, annual meeting, Traymore Hotel, Atlantic City, New Jersey.

18–20 Insurance Section, American Bar Association, Willard Hotel, Washington, D. C.

18–20 International Claim Association, annual meeting, Greenbrier Hotel, White Sulphur Springs, West Virginia.

21–22 Oregon Association of Insurance Agents, annual convention, Multnomah Hotel, Portland.

22–23 Utah Association of Insurance Agents, annual meeting, Hotel Utah, Salt Lake City.

24–27 Bureau of Accident & Health Underwriters, annual meeting, Skytop Lodge, Stroudsburg, Pennsylvania.

24–27 International Association of Casualty & Surety Underwriters and the National Association of Casualty & Surety Agents, joint convention, Greenbrier Hotel, White Sulphur Springs, West Virginia.

25–26 Michigan Association of Insurance Agents, annual meeting, Pantlind Hotel, Grand Rapids.

25–26 New Jersey Association of Insurance Agents, annual meeting, Hotel Claridge, Atlantic City.

25–27 Idaho Association of Insurance Agents, annual meeting, Sun Valley.

27–28 Mutual Insurance Agents Association of New England, annual meeting, Kenmore Hotel, Boston, Massachusetts.

OCTOBER

2– 5 National Association of Insurance Agents, annual meeting, Hotel Stevens, Chicago, Illinois.

4–10 Third Hemispheric Insurance Conference, Santiago, Chile.

6– 7 Federation of Insurance Women of Texas, annual convention, Amarillo.

16 Rhode Island Association of Insurance Agents, annual meeting, Sheraton-Biltmore Hotel, Providence.

NO DIFFERENT than the greedy farmer who killed the goose that was laying the golden eggs are the "economic planners" who are bent on taxing private productive capital out of existence. Unless this trend is checked, all capital will become concentrated in government . . . and free enterprise and individual liberty will be as dead as the farmer's goose.

In the words of Chief Justice John Marshall, "The power to tax involves the power to destroy."

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ADMITTED ASSETS

Stock Carriers

THE last eighteen years have witnessed a tremendous growth in the fire and casualty fields and changing economic conditions have dictated major shifts in investment policy. These shifts have been made gradually and principally through the channeling of new investment funds rather than through sales of certain classes of securities.

Problems faced by investment departments of insurance companies have been similar to those faced by virtually all institutional investors and they have been solved in about the same way. Lower interest rates, refinancing and refunding of many issues, government deficit financing during the depression years and to finance the huge cost of World War II led inevitably to a tremendous increase in holdings of U. S. Government bonds. Such holdings were less than $300 million in 1931 but at the end of 1949 amounted to $3,890 million for the stock fire and casualty companies. As total assets increased from $3,830 million to $9,590 million during this period, it is at once apparent that a very substantial portion of all new funds available for investment has gone into U. S. Government bonds. Despite the continued increase in dollar amounts of U. S. Government bonds held by the companies, 1949 marks the first year for many years in which the percentage of U. S. Government bonds owned showed a decline.

Although the tremendous increase in holdings of U. S. Government bonds overshadows all other changes, there have been some significant changes in emphasis among other classes of securities. Railroad bonds were the largest class of bonds owned eighteen years ago, representing more than 10% of all stock fire company assets and 15% of casualty assets. This classification now represents less than 1.5% having shrunk from about $275 million in 1931 to less than $120 million at the end of 1949. Stocks owned are relatively slightly less important now than they were in portfolios of 1931, with the increase in dollar amount due to appreciation in market value rather than to increased purchases. Stock portfolios today, just as they did eighteen years ago, show the highest percentage of holdings in miscellaneous common and insurance shares. Holdings in railroad stocks show the greatest decrease over the period.

CLASSIFICATION OF ADMITTED ASSETS

	Stock Fire			Stock Casualty		
	1931	1948	1949	1931	1948	1949
Cash	5.1	9.7	9.3	5.1	11.1	9.8
Bonds						
Government	7.3	39.4	37.8	8.4	49.6	47.5
State, County, Munic.	7.3	4.4	5.6	10.2	5.7	7.5
Railroad	10.5	1.4	1.2	15.2	1.4	1.3
Public Utility	7.7	0.9	0.9	11.9	1.1	1.2
Miscellaneous	4.4	1.0	0.9	5.7	0.9	1.7
Total Bonds	37.2	47.1	46.4	51.4	58.7	59.2
Stocks						
Railroad	8.1	1.8	1.4	4.1	0.9	0.8
Public Utility	9.6	4.3	5.1	5.5	2.9	3.6
Insurance	10.8	9.7	10.4	1.9	3.6	3.7
Bank	4.5	2.2	2.3	2.7	1.2	1.3
Miscellaneous	12.7	16.3	16.7	7.2	9.4	9.9
Total Stocks	45.7	34.3	35.9	21.4	18.0	19.3
Real Estate and Mort.	4.9	1.7	1.5	8.6	1.9	1.9
Agents' Balances	5.8	5.3	5.3	11.2	9.0	8.4
Other Assets	1.3	1.9	1.6	2.3	1.3	1.4

Agents' balances were understandably relatively higher in depression 1931, but cash accounts which were just over 5% in 1931 were nearly 10% of assets in 1949 and dollarwise were very much larger.

The larger cash balances and lower yields on high grade bonds have resulted in net investment income for 1949 being only slightly higher than it was for 1931, despite the increase of more than 100% in total assets during the eighteen-year period. Net return on assets was 4% in 1931 but is barely over 2% currently.

In 1949 the 379 stock fire companies showed an increase of about $775 million in assets. U. S. Government bond holdings were increased about $220 million, municipal issues about $100 million and agents' balances were up $40 million on the larger premium volume. Common stocks were $330 million higher due in part to market appreciation of some $215 million and preferred stocks were up $30 million.

The 246 stock casualty companies showed an increase of about $450 million in assets and followed the same general pattern as the fire companies: U. S. Government bonds up $140 million; agents' balances up $15 million; municipal bonds up $100 million and miscellaneous bonds up $35 million. Common stocks advanced by $110 million largely on an advance of more than $75 million in market prices and preferred stocks were $45 million higher.

Although it is hard to generalize, because of the varying programs followed by individual companies, there are certain fundamental differences between the investment policies generally followed by fire and casualty companies. These differences may quite possibly have been influenced by the relative differences in financial position, the casualty companies having a generally smaller margin of assets over liabilities and, therefore, smaller capacity to absorb violent fluctuations in security values than the generally better capitalized fire field.

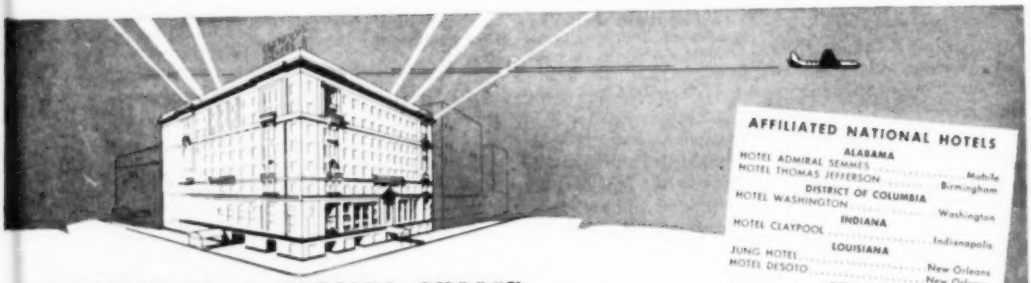
CASUALTY RECIPROCAL UNDERWRITING

A RECIPROCAL exchange is composed of a group of individuals, firms or corporations commonly termed "subscribers" who exchange contracts of insurance on the reciprocal or inter-insurance plan through the medium of an attorney-in-fact.

Our aggregate study of casualty reciprocal underwriting includes the figures furnished by thirty-seven reciprocal organizations. The majority of these exchanges restrict their writings to select risks in certain industries, territories or coverages. In the casualty field, they generally write automobile or compensation lines. Their total volume in 1949 reflected a substantial increase of $17,937,000 or 14% to $146,359,000. Underwriting operations on a case basis produced a profit of $24,197,000 on earned premiums of $140,684,000 or 17.2%.

	* Premiums Written	* Unearned Premiums	* Premiums Earned	†† Loss Ratio	† Comms. and Brkge.	† Other Undr. Exps.	† Total Undr. Exps.	* Underwriting P or L	Ratio Prems. Earned
Auto Liability	$46,792	$17,167	$45,178	63.6	7.0	21.3	28.3	$3,227	7.1
Other Liability	1,587	607	1,514	34.0	12.5	23.7	36.2	425	28.1
Workmen's Comp.	11,711	745	11,600	59.0	7.0	16.0	23.0	2,063	17.8
Auto Property Damage	25,420	9,442	24,080	64.3	6.4	20.8	27.2	1,668	6.9
Auto Collision	41,061	15,775	39,276	43.4	5.5	21.1	26.6	11,294	28.7
Other P. D. & Coll.	286	82	266	53.5	13.9	21.5	35.4	22	8.4
Miscellaneous Auto	17,493	6,401	16,851	38.0	6.8	20.9	27.7	5,619	33.3
Misc. & Unseg.	2,009	693	1,919	55.1	28.9	20.0	48.9	-121	-6.3
Totals & Averages Ratios—1949	$146,359	$50,912	$140,684	54.2	6.8	20.7	27.5	$24,197	17.2

* Last 000 omitted. † Incurred to premiums written. †† Losses and loss adj. exp. inc. to prems. earned.



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HOTEL PLAZA ..... Galveston
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ADMITTED ASSETS

Mutual Carriers

THE mutual carriers have faced the same general economic conditions and factors of rapid growth that were faced by the stock carriers. The three hundred and seventy mutual companies on which this study is based include two hundred and fifteen in the fire field and the balance in the casualty field.

As was the case in the stock company field, nearly every type of investment program has been followed in the selection of assets. Some companies have concentrated on diversification, others on appreciation, safety of principal, liquidity or yield. However, as a group the companies have followed sound conservative investment principles and most of them maintain a high degree of diversification and marked liquidity in their invested assets.

CLASSIFICATION OF ADMITTED ASSETS

	Mutual Fire			Mutual Casualty		
	1943	1948	1949	1943	1948	1949
Cash	12.0	11.2	10.0	13.7	10.1	9.2
Bonds						
Government	42.8	49.7	48.8	55.8	54.9	53.5
State, County, Mun.	7.7	6.2	6.5	6.1	5.7	6.6
Railroad	3.5	2.1	2.5	2.8	4.1	4.3
Public Utility	6.9	4.1	4.2	5.9	5.3	5.7
Miscellaneous	2.0	2.2	1.8	2.0	3.9	3.8
Total Bonds	62.9	64.3	63.8	72.6	73.9	73.9
Stocks						
Railroad	0.6	0.8	0.6	0.2	0.2	0.1
Public Utility	1.9	2.6	3.2	0.6	0.8	1.1
Insurance	2.3	1.7	2.1	1.2	1.3	1.5
Bank	2.4	1.6	1.6	0.6	0.4	0.5
Miscellaneous	5.8	8.6	10.0	2.1	3.0	3.0
Total Stocks	13.0	15.3	17.5	4.7	5.7	6.2
Real Estate and Mort.	6.8	3.7	3.5	4.0	4.5	4.8
Agents' Balances	3.7	4.2	4.0	4.1	4.9	5.0
Other Assets	1.6	1.3	1.2	0.9	0.9	0.9

The over-all trend for the past fifteen to twenty years has been an increase in cash and U. S. Government bonds made possible principally through the relative reduction in holdings of all other classes of bonds. However, in the last two years, although the dollar amounts of both cash and U. S. Government bonds continued to rise their relative percentage of the total assets declined. Government bonds still constitute about half of all assets and cash on additional 10%.

Real estate, including home office property, and mortgages amount to only three and one half per cent of admitted assets in the fire field and four and a half per cent in the casualty. With the exception of cash, agents' balances and other miscellaneous assets (totaling just over 15%) all other items represent invested assets in the form of bonds or stocks, usually listed securities.

The same general differences between the fire and casualty mutual companies exist as were noted in the stock field, but in lesser degree. The casualty mutuals, as a group, own more bonds and fewer stocks than the fire mutuals but the difference in such holdings is relatively small in comparison to the rather wide variations between stock fire and casualty companies.

The managements of mutual companies have, in general, invested a larger percentage of assets in bonds, the corresponding ratios of mutual and stock companies being 64% and 46% in the fire field and 74% and 59% in the casualty field. Relatively, stockholdings of the mutuals are materially less than such holdings by stock companies, ratios being 17% and 36% in the fire field and 6% and 19% in the casualty. Most notable difference in the stockholdings is the very natural almost complete absence of insurance stocks held by mutual carriers and the relative importance of such holdings particularly in the stock fire field. The mutual carriers have larger relative holdings in real estate and mortgages but about the same cash balances.

One of the most significant developments in 1948 which carried over through 1949 was the opening up of avenues of investment other than U. S. Government bonds. While the increase in holdings of U. S. Government issues overshadowed all other changes the very modest increase in holdings of municipals registered in 1947 was accentuated in 1948 and 1949 and was extended to other classes of bonds and to mortgages.

During 1949 the mutual fire companies increased their total assets by nearly $100 million of which about $60 million was reflected in bond holdings. U. S. Governments were up $40 million, municipals nearly $10 million and public utilities up $5 million.

The mutual casualty companies recorded an increase of nearly $275 million in total assets in 1949 of which about $130 million was in bonds. Largest gains were shown by U. S. Government issues up $75 million; railroad $10 million; municipal $10 million and utility $15 million. Cash advanced by $5 million and premium balances by $10 million. Real estate holdings representing home office property increased by about $8 million and common stocks were up $15 million.

Just as in the stock field, in reviewing the exhibit showing the classification of admitted assets of the individual companies or in interpreting the investment practices of any company, one very important point should be kept in mind—the relation of such investments to outstanding liabilities. A company may have a higher than average percentage of assets invested in real estate, in common stocks or in some other class of security yet may, in addition, maintain as high a degree of diversification and even greater liquidity in relation to outstanding liabilities than another company with a more normal diversification of assets but larger liabilities.

ONE MAN'S OPINION

B. C. VITT, President,
The American Insurance Company

IN THIS article I am accepting the privilege of discussing a few of the problems confronting our business. What are these problems? Obviously we cannot consider them all in the limited space available, much less solve them, but here are some of the main issues demanding our attention:

1. The increasing tendency of government, Federal and state, to interfere in the private operation of business.
2. Federal and state government competition with private enterprise.
3. The problem of developing a modern rating organization and rating plans.
4. Solving the inequities in installment premium payment plans and establishing a realistic term rule.
5. Stabilizing the commission structure on an equitable basis.

Governmental Encroachment

Taking these problems in order, let us first observe the increasing tendency of government to interfere in the operation of business. For some years a philosophy has persisted among Federal and state authorities that the people of these United States must be saved from themselves; that our citizens cannot take care of themselves and their families; that the private enterprise system which has brought us the highest standard of living in all history is decadent; that all wisdom and initiative is centered in the Federal Capitol and the State Houses. This vicious philosophy has replaced the time tested and proven concept that the proper role of government is chiefly that of umpiring—not playing the game and calling the decisions as well.

In recent years many laws of long standing which have hitherto served a useful purpose have been so construed as to be unrecognizable even by the lawmakers who conceived them. Laws enacted to promote fair competition and encourage initiative in the public interest have at times

been so administered as to do the opposite. On occasion, some of our insurance departments have tended to be so legalistic that development of new types of coverage is practically stifled.

In this connection, I quote a comment made by Supreme Court Justice Robert Jackson when he was the head of the Anti-Trust Division in the Department of Justice:

"It is impossible for a lawyer to determine what business conduct will be pronounced lawful by the Courts. This situation is embarrassing to businessmen wishing to obey the law and to government officials attempting to enforce it."

If men in Justice Jackson's position are confused, it is not surprising that we laymen should sometimes feel like Alice in a legal wonderland.

Direct Competition

Inevitably, the philosophy of an all powerful and beneficent government has promoted both Federal and state business activities in direct competition with their own citizens and taxpayers. For example, there are government insurance of cotton and tobacco held by the Commodity Credit Corporation; monopolistic State Funds covering schools and public buildings; compensation insurance; off-the-job disability allowances; constantly expanding government crop insurance. These are but a few instances of government interference and competition and the trend is toward more—not less—direct undermining of our livelihoods!

Examining these developments and their logical consequences we must arrive at two alarming possibilities:

1. That regulation of our business is in danger of being taken from the individual states and reposed in the grasping hands stretching out from Washington—or that Federal regulation will be superimposed on state regulation.
2. That the entire private operation of the business is in danger of being usurped.

Certainly I do not need to spell out who has the greatest stake in keeping the business of insurance in private hands. In my view the local independent insurance agent is the very prototype of all that is best in the American system of doing business. He rises or falls solely through his own efforts. He sustains his own family and contributes to the general welfare of his community through the worthy motive of enlightened self-interest. Any system which would hamstring him as an independent enterpriser must be even more abhorrent to him than to us who bolster his efforts from our company side of this business.

Improved Public Service

Our problem is to contain these threats . . . but how to do it? Many steps must be taken . . . one at a time . . . but they must all lead to the single important goal of improved public service.

Specifically, we must realize that we are in a new era of the insurance business. The courts have ruled that we are engaged in interstate commerce. Multiple line writing powers are a reality. Rapid decentralization of all American business and industry has spurred the need for multiple location covers. There is a growing need for more combined risk type of covers. The extended coverage endorsement, now an important factor in our business, was developed to meet such a need in the comparatively recent past. We must attempt to devise and perfect similar additions to present types of coverage. This is indeed a new age and all of these factors emphasize the need for modern facilities which will enable us to provide better service.

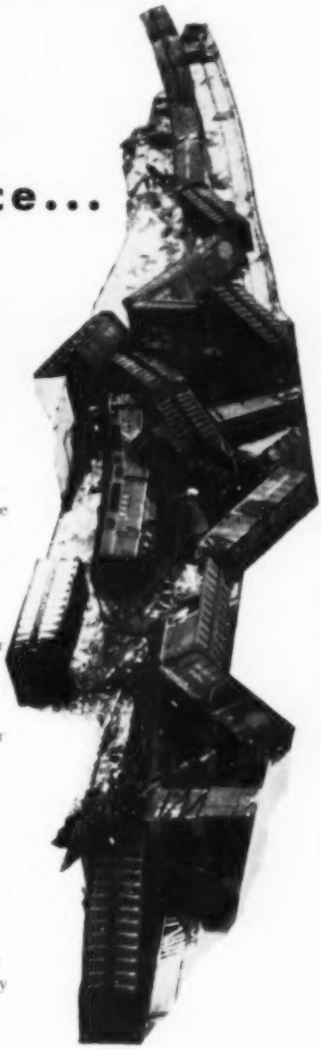
One urgent need, in my judgment, is for a national rating procedure embracing all lines—fire, automobile, marine, casualty and surety. I believe that only through such a unified system can we hope to develop realistic rating plans that will fairly, efficiently and economically meet the requirements of today. It is incredible that our pricing structure should lag behind the development and sale of our product and we owe it to the public to replace the present outmoded and disjointed system with a streamlined operation.

(Continued on page 46)

Behind the Scenes With YOUR INSURANCE COMPANY

In every insurance company there is a vital activity called Claim Service. When accidents happen, it is Claim Service that takes over for the insureds and protects their interests.

Beyond the demand of service...



It was five below . . . the road was icy . . . the truck couldn't pull the trailer off the railroad tracks. Until the last second the driver fought desperately for traction under his spinning wheels as a heavy freight bore down!

The crash demolished the trailer . . . derailed the Diesel locomotive and thirty freight cars. . . .

Within an hour our claim representative with a photographer was at the scene. He spent the next five days interviewing witnesses, getting statements and checking details. *All this was primarily in the interest of the trucker—the total damage he had caused far exceeded his insurance.*

This case is typical of our specialized services that go far beyond the usual conception of the activities of an insurance company—services that are offered you through our agents and insurance brokers.

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THEY'VE GOT TO LIKE YOU

RALPH R. SWOPE
Virginia Agent,
The Aetna (Fire) Group

IT'S a strange thing how the majority of us are creatures of habit in many of the things we do. When we're sick, for instance, we invariably call the same doctor, and when we have a toothache, we turn to the same time-tested dentist. The same goes for many other services, including the idea of having but one insurance agent.

Do we follow this practice because we have a feeling that we happen to be smart enough to have selected the *best* doctor, the *best* dentist and the *best* insurance agent? Not necessarily. While it is true that we always patronize people in whom we have confidence, we also do business with certain people, as a general rule, because we *like* them personally.

Self-salesmanship

When it comes to the matter of self-salesmanship, I can think of no line of endeavor where it is as helpful as in the insurance business. Not that I mean that in order to succeed, one must back-slap his way around, turning on high powered unnatural demonstrations of friendliness. Quite the contrary, for a quiet, friendly display of knowledge, plus an interest in one's client, are usually the things that count.

In my opinion, perhaps one of the most important things to bear in mind is the fact that a customer usually can read between the lines when an agent is more interested in commissions than he is in trying to sell sound protection. For this reason, the agent constantly must bear in mind that it is the client's interests—always—which must be kept in the foreground rather than his own. An honest analysis of the prospect's needs, followed by the presentation of a sound program of protection, is about the best way in the world for an agent to prove that he's the kind of a fellow the prospect wants as an insurance counsellor.

Although it is time consuming, I have found that it pays to make periodical calls on my clients even though I'm not trying to sell them anything at the time. Sometimes my call is for the purpose of making an inspection of the plant of some commercial risk, or to secure additional information. This demonstrates to the client that I am interested in his business even though there isn't a commission in sight at the time. It shows that I am rendering a service in exchange for the business he has previously given me. I make it a point to keep such calls as brief as possible because I want my customers to know that my time is valuable.

A Sound Friendship

I strongly believe in delivering renewals in person. This gives me a chance to answer any questions as well as to renew my acquaintance. And make no mistake about it—a sound friendship added to past per-

(Continued on the next page)

formance of efficiency is mighty good insurance against the inroads of competition. I realize that a good many agents feel that they haven't time to deliver their renewals in person, and must, therefore, resort to the mails. To all such busy agents, I say, "*Take* the time; it will pay dividends."

It has long been my experience that claims are a powerful factor in demonstrating the value of insurance. I have made it a point always to keep closely in touch with the progress of claims involving my policyholders. Not that I have to, as far as my companies are concerned, but I want to make sure that I am in a position to intelligently discuss pending claims with my customers. Naturally, I don't attempt to influence the adjuster as this neither is necessary nor within my province, but I do feel that I must keep in touch with things. When settlement is made, I also make it a point to deliver claim drafts in person. This not only shows my personal interest, but is a subtle reminder that the coverage really works.

Starting an Agency

At this point the reader might logically ask, "But what about *starting* an agency—getting those risks on the books?"

My advice to any agent just entering the business is first to contact people whom he knows. Once an agent lets his friends know he is in business, it is amazing how the circle widens through the "chain" system of recommendations. Nearly every prospect can give you the name of a friend on whom you may call—and his reference is always a good entering wedge. In mentioning the "chain of friendship" system, I don't want to create the impression that "cold canvass" is to be discouraged. Far from it, for I found that even during my early days in the business, I averaged about one sale out of every seven calls.

My interest in aviation was most helpful to me in the building of my agency. By acquiring an elementary knowledge of aviation, I automatically cultivated a friendship with airplane salesmen. As a result of this, I used to accompany some of these salesmen on their trips to various airports. This resulted in my selling aircraft coverage to many people who bought airplanes. These salesmen also made it a point to give me the names of customers to whom they had sold airplanes in the past—as well as those prospects to whom sales were imminent.

The Telephone Helps

Next to personal calls, I have found the telephone to be most helpful. Even as a means of cold canvass, the telephone has been a useful medium. Either I or one of my employees, will make a call, explain who we are, briefly give the highlights of the particular coverage we are featuring, and ask for an appointment. Brevity is of paramount importance, for here again we want our prospects to know that time is precious, and this accounts for the telephone call. Naturally, care must be exercised so that brevity may not be confused with rudeness. Reception to our telephone calls has been surprisingly gratifying and subsequent personal calls have been very productive.

We are strong believers in advertising. We use newspaper "ads" as well as direct mail. We also have been using the classified section of the telephone directory. This has been helpful, particularly when new residents arrived in town and were looking for "where to buy it"—and our name popped up. We have had a number of people walk into our office and tell us that they were new in town and would like to be considered as insurance prospects.

We Stressed Service

From the very beginning, we have stressed service. Service on claims, service on small risks, service on commercial risks. We always have contended that the service rendered represents the real reason for our existence. Service makes for friendship—and friendship makes business.

Fortunately, the subject of collections never has been one of our problems. Most people realize that an insurance agency has obligations to fulfill the same as any other business, and to carry on, money is a necessary commodity. A combination of tact, friendliness and firmness, usually gets results. Laxity in handling accounts is equally as injurious to the client as it is to the agent.

To render the kind of service which we insist on giving the public, we have three young women in the office to take care of the details. This gives us a better chance to make the necessary contact work, which is a part of getting new business and keeping what we have. Physically, our office is modern, and we spare no expense to have the kind of equipment which we consider necessary to do the job.

Yes, our community has been good to us. We have the added satisfaction in feeling that our clients like us—that we can count every one as a friend.

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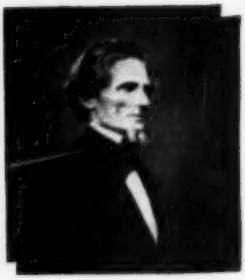
W. Ross McCain, President



Famous American Homes

Beauvoir

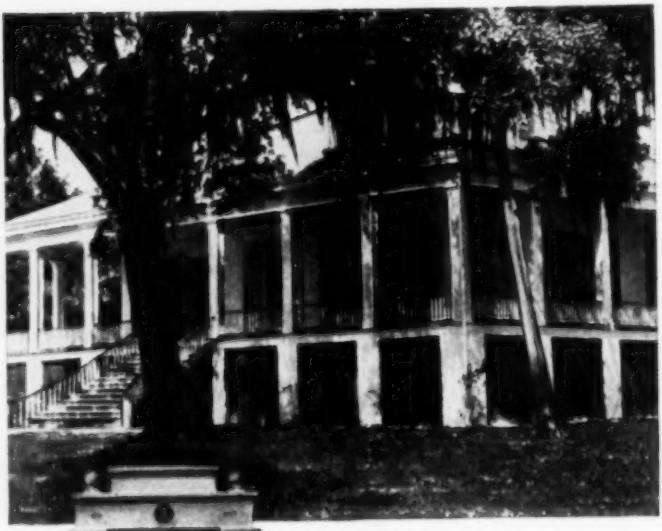
RETREAT TO SERENITY

"THE ORANGES are shining on the trees and our pine-knot fires soar in the chimneys; in their light I try to bury my unhappiness;" thus Jefferson Davis wrote of Beauvoir, the plantation near Biloxi where he spent the last twelve years of his life. His childhood too was spent in Mississippi for, though he was born in Kentucky in 1808, when he was still an infant his family moved to a plantation near Woodville.

While serving in the army after his graduation from West Point, Davis fell in love with Sarah Knox Taylor, daughter of a future President. Colonel Zachary Taylor opposed his suit, however, principally because he was unwilling to have his daughter marry a soldier and it is said that Davis challenged him to a duel but eventually the young couple were married. Resigning from the army, Davis took his bride to Mississippi but within three months she died of malarial fever.

Varina Howell who became Davis's second wife reported on first meeting him that she found him "refined and cultivated" in spite of being a Democrat but would never like him as well as his brother Joe. Nevertheless, their marriage was marked by deep and enduring devotion. At one time Davis, who frequently suffered from ill health, would have lost his sight had it not been for his wife's care.

During the Mexican War Davis re-entered the army and won the nation's homage for his heroism at the battle of Buena Vista where, though wounded, he continued to lead the attack. Within twelve months he became Congressman, colonel, brigadier general and Senator. Later, he served as Secretary of War under President Pierce.



Memorial Arch at back entrance to Beauvoir

Davis was in the rose garden at Brierfield, his Mississippi plantation, when word came that he had been appointed President of the Confederate States. As he had aspired to command the Southern armies, he received the message so sadly that his wife feared it told of disaster.

Broken in health and spirit after the tragedy of war and his imprisonment in Fortress Monroe, Davis tried various occupations and for a time was head of an insurance company. At length he found sanctuary at Beauvoir which the owner, Mrs. Sarah A. Dorsey, generously put at his disposal, and here Davis devoted himself to writing. Of his six children all four sons died before Davis passed away in 1889.

Built soon after 1855, Beauvoir is now maintained as the Jefferson Davis Shrine by the Mississippi Divisions of the United Sons of Confederate Veterans and the United Daughters of the Confederacy.

• • •

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PERSONNEL AUDIT FOR SELLING

W. F. ARNOLD
Vice President,
Underwood Corp., New York

THE sales organization of every company bears the brunt of the responsibility for keeping its company in business. This means not only effective and strategic distribution but also a profitable distribution of the company's products.

Like every organization in the country, Underwood has these same objectives to attain and, once attained, to maintain. However, the problem of selling in today's market, as every sales executive knows, is not a static one. The picture changes every day and the competition gets tougher and keener. For this reason forward looking companies have in the past few years looked more and more carefully into what scientific aids to management have to offer to help them achieve and maintain leadership in their fields.

The Poor Bets

These aids have been used in two ways to improve a company's position in its industry; by increasing efficiency in production and by improving effectiveness in distribution. In the latter area the major attack on the problem has been a psychological one, aimed at predicting sales success in sales job applicants for the purpose of increasing sales volume by helping management select more sales applicants who were potentially efficient, thus lowering turnover, sales training and supervision costs by screening out the "poor bets."

The practical sales executive knows full well that many sales organizations have achieved leadership in their fields without resorting to the use of psychiatrists, aptitude testing and myriads of other eagerly proffered aids to the selection of salesmen. The controversy over how much, if anything, these scientific selection aids have to offer has been raging for several years.

On the one hand there are the sales executives who feel that any possible aid to scientific sales selection should be given a thorough and fair trial. Among this group have been some who are willing to have an outside agency come in and grapple with the baffling problem of selecting salesmen who will have a much better than 50–50 chance of surviving with the organization. On the other hand there has been the group of sales executives who have refused to commit themselves and who have, in fact, been rather skeptical about what these aids to sales selection have to offer them. Some of these have been waiting for the dust to settle so that they can make their judgments of the value of these methods on the basis of the actual results. But, the dust has not settled. On the contrary, it whirls more thickly and more furiously than ever.

A Pressing Problem

It looked to us as if the din of battle would obscure the real results for quite some time to come. And yet the problem of selecting good sales material is a pressing one with us as it is with most sales organizations, calling for an immediate and practical solution.

The problem of selection and turnover in sales personnel at Underwood is no more than it is at many large companies. We have achieved an important position in our industry without the use of psychological tests or special "cure all" methods. At the same time we felt that if these methods had *anything* positive to contribute to us, we would like to know about it. We were not inclined to embrace any method as if it were our salvation, only to reject it with emotion when we found, or began to suspect, that our high hopes (probably unrealistic) might not eventuate. We do not believe that the psychologist, no matter how well trained, knows more about what is needed to solve our problems than we do. We did not want him to tell us what or how to think about our sales selection problems.

We thought that if modern psychology can help improve the selection of sales personnel it would be in much the same manner that the chemist or the engineer can help an organization, *i.e.*, by pointing out important factors, or constituents, of whose existence or significance we may not have been adequately aware. We felt that if the psychologist could do this for us he would be worth his hire.

We Wanted to Know

We wanted to know specifically: What makes a salesman succeed or fail in Underwood? We wanted an answer in very specific and material terms. We were not satisfied by generalities like "lack of interest in selling" or "poor drive" stated in plausible but vague terms. Factors like these we have been aware of for a long time, as have all sales executives.

We know that the Underwood salesman is different from salesmen in general, not only by virtue of the nature of our products but also because of the nature and philosophy of our management. So we wanted to see if the psychologists could tell us how our salesmen are different from salesmen in general, and with this framework, what makes him fail or succeed with Underwood. If this can be accomplished in realistic terms, is it possible to determine these success and failure qualities in the applicant so that the sales manager will know just what kind of supervision and training job he will have to give a new sales employee? If modern psychological methods could accomplish these objectives, we wanted to be able to profit from

(Continued on the next page)

them. If not, we would be able to put them in the discard file and forget about them.

Some Questions Answered

About a year ago we employed a firm organized and managed by professionally trained psychologists, to see whether our questions could be answered and to determine whether or not the expectations we had cautiously put forth were practically and realistically obtainable. In the course of a year some of our questions were answered. In addition, we now have a personnel control device to screen and eliminate poor sales "bets," and indicate for which of our sales operations a "good bet" sales applicant is best fitted.

Equally important to us is the fact that this personnel control device is based upon the operating factors within the individual which have been found to be casual in influencing success or failure in each of the four major Underwood sales operations. Hence, our sales managers not only know which sales operation a given applicant has the most promise for, but also what factors or behavior tendencies within him have to be handled so that he will sell efficiently and will feel like staying and making a career for himself with us. That is why we call this a personnel control device.

I should like to make two things clear about this instrument. One is that it does not tell us who to hire. It gives information relative to employment which the manager takes into account because it is specifically based on Underwood requirements and characteristics of its productive salesmen. Second, it is being tested in the field for a one year period so that its overall value can be more clearly determined and so that the bugs can be ironed out. So far, we have been positively impressed by the following events:

Positive Results

1. Our counsel provided us with information about success and failure in selling for Underwood which meets the criterion of common sense and our experience with the salesman and sales problems.

2. Our personnel control device is based on these data.

3. The personnel control device was delivered to us, not as a finished product, but for a practical pre-test in the field, the consulting agency being responsible for its maintenance and its efficient operation.

Easily Interpreted

It can be easily interpreted and rapidly scored by the branch manager on the spot. He does not have to wait to get his answers about the applicant. To accomplish this our counsel has provided a clear but extensive manual on the use and interpretation of the instrument, which shows the branch manager how to use and interpret the personnel control device. It provides many different types of case studies so that the manager can learn to use the instrument in short order. Thus, he does not have to have a psychologist standing over his shoulder to help him think every time an applicant is tested.

Insufficient time has passed to speak of the value of this instrument on the basis of the field test results. However, as indicated in the first point above, the data upon which it is based are interesting and I think

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Losses paid exceed Three Hundred Fifty Million Dollars

merit some discussion. We had anticipated some disruptions during this investigation and we were gratified by the manner in which our counsel conserved our time and energy while obtaining its data and met its commitments on schedule.

It is well known that a man may do well selling one product and be a failure selling another, or even selling the same kind of product for another organization. The criterion for success and the reasons for failure are not really identical for any two organizations, as every experienced sales executive knows. Nevertheless there are certain common features to success in selling and to failure in selling, *e.g.*, a man who is lazy will not get business, a man who is not motivated to sell and gets no satisfaction from doing it is not, other things being equal, likely to be a big producer.

Picture of a Salesman

Our counsel made a comparison of the most effective and least productive salesmen in one of our sales operations and turned up a picture like this: The less productive man feels sales resistances quicker and more intensively than his more productive brother. Then he tends to become defensive. He is not naturally so strongly motivated to keep on persuading and selling so that he does not readily find new advantages to stress. He is more easily distracted for another reason. He cannot juggle very many balls at one time, has to try to keep situations simple, and is more easily confused by complex selling problems. These things upset him to such an extent that he falls back on argument and feels controversial.

He is more apt to hit back when he is turned down and, in defeat, his thinking is absorbed with what is happening to him rather than upon what action might salvage the sale. This is logical. To see it measured by the way applicants as well as staff salesmen answer questions about themselves gives us assurance that these differences can be predicted to our advantage before a man is employed.

The reader may be interested in the kind of information turned up in this study which threw some light on our own thinking about the criteria of effectiveness in selling for Underwood. It was found that many of our managers were unconsciously giving too much emphasis to the length of time a salesman had been with the firm rather than upon his sales ability. It was found, not surprisingly, that even an average producer can, over a period of years, develop a sufficient backlog of business so that his repeat business gives him a respectable volume even though he does not bring in a large amount of new business. Thus, in comparing a younger man with more sales ability, we might compare him unfavorably with the former really less able individual. No doubt many other organizations have, unwittingly, done the same thing or are doing the same thing.

Our Thinking Clarified

Because of a battery of findings of this nature, we feel that not only is the consulting agency proceeding on a sound basis, but that it has helped

[Continued on the next page]

AND THEN THE CLIENT SAID NO!

The agent had said all the right things. He'd pointed out the risks, told the whole story, and answered objections. He'd been convincing, agreeable, and brief. But still the client said NO!

Such situations arise in spite of everything the agent can do. Pearl American recognizes that it takes teamwork between company and agent to turn tough customers into YES men. That's why we make it a point to treat agents' problems as our own problems. Without the company's flexible attitude, prompt service, good reputation, and expert underwriters' and fieldmen's advice, the agent's best efforts are often only half the battle.

To win the entire battle, more and more agents and brokers are finding that it pays to be on the team with Pearl American.

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PHILADELPHIA, 436 Walnut Street
SAN FRANCISCO, 369 Pine Street
NEW YORK, 26 Cliff Street
CINCINNATI, 1423-24 Carew Tower
CHICAGO, 175 W. Jackson Blvd.

to clarify our own thinking about the factors which make for success or failure in selling for Underwood.

The second feature of the report which impressed us favorably was the analysis of salesmen who failed and who were successful. The data was analyzed in such a way as to provide us with a true life picture of sales efficiency and inefficiency. There were no vague nostrums like "lack of adaptability" or "no interest in selling," or other isolated disconnected items.

Factors Checked

On the contrary, a set of factors, some applicable to selling generally, others specific to the office equipment industry and still others very specific in Underwood itself, was presented. They were investigated by our counsel in such a manner that their inter-relationships, inter-play, and inter-dependency were not only brought to light, they were also clarified so that it became apparent why, in our situation, a degree of a lack of certain psychological qualities could be compensated for by others, and why a lack of over-endowment of others could not be balanced off or made up.

We Are Optimistic

These disclosures made a lot of sense to us. Some of them we had been aware of but had not attached full significance to because we did not understand all of their ramifications. Other findings explained a lot to us that we had not known before but which seems to check with our experience. Since our personnel control device is based upon these data, we feel it is an instrument based on valuable and important grounds, and that if any psychological device can help us screen probable failures from our sales force, this is probably the one to do it. At the present writing we feel cheerful and optimistic about our sales aptitude inventory although only the field test can answer the question: "What can psychological test methods do to help Underwood select efficient, company-minded salesmen?"

Editor's Note—We will be glad to furnish the name of the counsel referred to in this article to any interested party.

Reprinted from The Office.

"We both know she's contented, but how can you be contented with insufficient insurance?"

COMPENSATION RATE DECREASES

RATE reductions on workmen's compensation have been announced in Iowa, Nebraska, Pennsylvania and Virginia. The average reduction in Iowa is 6.2% and became effective July 4; the decrease in Nebraska is 12.7% and will become effective September 1, 1950; the Pennsylvania rates were lowered 7.4% on June 30; the reduction in Virginia was 17% effective July 1.

CALIFORNIA AGENTS' LICENSING

THE California Association of Insurance Agents, acting on the request of Commissioner Downey, is preparing a draft of an agents' licensing law to be submitted at the next session of the State Legislature. The draft will include certain educational requirements and is expected to be modeled along the lines of the present requirements for life insurance agents.

AMENDMENTS TO REGULATION 30

AMENDMENTS to the uniform accounting regulation (Regulation No. 30) adopted by the National Association of Insurance Commissioners have been accepted by the New York Insurance Department. This is to keep the expense allocation rules of New York in conformity with those of other states. The Pennsylvania department likewise accepted the amendments which will become effective in that state Jan. 8, 1951.

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LIABILITY ABOVE POLICY LIMITS

WILLIAM P. HARPER
Attorney, Legal Department, Farm Bureau Mutual Automobile Insurance Co.

TWO provisions found practically uniform in every automobile insurance policy produce conflicts upon which is based the question of liability of the insurer for verdicts in excess of its policy limits:

The automobile insurance policy by its language vests control of both settlement and litigation in the insurer. It also provides for complete cooperation by the insured, and prohibits his making independent settlements or admissions of liability. These provisions, although universally recognized as necessary adjuncts to insurance contracts, are productive of conflicts of interest.

Offer of Settlement

They create no problem so long as the claim is settled, or the judgment is rendered, within policy limits. But, when an offer of settlement is made, within policy limits, a conflict of interests arises. It is then to the benefit of the insured to have the claim settled, but the proposed figure may, in the opinion of the insurer, be excessive. The insurer might rather try the case. The conflict has then been created, and our immediate problem arises when the eventual verdict exceeds the policy limits.

It is generally, if not uniformly, the rule that the insurer may be held liable in tort for its fraud or bad faith, arising from this conflict of interests. The Courts being unanimous in their opinion that the insurer is liable to its insured, for judgments in excess of its policy limits, where the insurer, having exclusive control of settlement, fraudulently or in bad faith refuses to compromise for an amount within its policy limits—71 A.L.R. 1486.

It has been specifically held, with respect to these conflicts of interests, that: good faith and fair dealing are correlative obligations, and the insurer owes to its insured some duties in the matter of settlement of claims covered by its policy. Where the insured is clearly liable and the insurer refuses to make settlement, thus protecting the insured against the possibility of an excess verdict, such refusal must be in good faith, and upon a reasonable opinion that the amount required to settle is excessive. 71 A.L.R. 1487.

At the Insurer's Peril

Many insureds, and some Courts, argue that with the entire right of control, and decision, being reposed in the insurer such insurer acts at its peril in refusing settlement within its policy limits. There is the case of *Douglas vs. U. S. Fidelity and Guaranty Company* (N.H. 371, 127 A.T. 708); *Stowers Furniture Company vs. American Indemnity Company* (15 S.W. (2nd) 544); *Highway Ins. Under. vs. Lufkin-Beaumont Motor Coach* (31 C.C.H. 367). However, it is felt that the insurer should obviously be entitled to discretion in its judgment as to settlement or defense. At times the insurer will be incorrect in such decisions, because the most expert evaluation of personal injury cases is, to some degree, conjectural. There will always exist a marginal percentage of error.

That was brought out in the cases of the *City of Wakefield vs. Globe Indem. Co.* (246 Mich. 645, 225 N.W. 643); *Mendota Electric Co. vs. N. Y. Indem. Co.* (169 Minn. 377, 211 N.W. 317); *St. Joseph Transfer and Storage Co. vs. Employers Indem. Co.* (224 Mo. App. 221, 23 S.W. (2nd) 215); and *Georgia Caus. Co. vs. Mann* (242 Ky. 447 S.W. (2nd) 777).

The Basic Rules

So, we become aware of the conflicts of opinion regarding degrees of responsibility chargeable against the insurer. The basic rules upon which the liability of the insurer is predicated in excess verdict cases are, fraud or bad faith, and negligence. These words standing alone would hardly seem to present any particular difficulty. But, let's refer to the case of *Hilker vs. Western Automobile Insurance Co. of Ft. Scott, Kansas* (204 Wisc. 1, 231 N.W. 257, 235 N.W. 413) wherein the Court gave a most acceptable interpretation of the differences and difficulties which do exist.

The Court said: Terms which are not strictly convertible or synony-

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mous have been understood by different Courts to indicate the same thing. Negligence has been used by some Courts to mean the same thing that other Courts have designated as bad faith. This conflict is strikingly illustrated by the decisions in the cases of *Cavanaugh Bros. vs. Gen'l Acc. Fire and Life Assur. Corp.* (79 N.H. 186) and *Automobile Mutual Indemnity Co. vs. Shaw* (134 Fla. 851). In the New Hampshire case the Court held it to have been negligence not to have settled within policy limits, whereas the Florida Court held such failure was not in *bad faith* and therefore would not subject the Company to liability. You just cannot rely on the mere words, bad faith or negligence, unless possibly in the State of Georgia. There in the case of *Francis vs. Newton* (27 C.C.H. 643) the Court held that the insurer might be held liable for fraud, bad faith or negligence. Take your choice.

To further illustrate the confusion and conflict, let's look at Volume 8 of Appleman's Insurance Law and Practice, Section 4712. Therein, reference is made to "the old majority rule" of bad faith or fraud, stating it is being replaced by the rule of negligence. But, in conflict, the editors of A.L.R seem to hold a different view. In 131 A.L.R. 1500, it is stated that the prevailing rule seems to be that the insurer must act in good faith, and predicating its liability upon negligence due to mistakes of judgment on disputed facts would carry its responsibilities far beyond the bounds of reason, and further than the demands of justice require.

Purpose of This Paper

In view of these wholly divergent, though ably supported, opinions the primary purposes of this paper must necessarily be a presentation (1) of the backgrounds, (2) suggested views as to trends and interpretations, and (3) suggestions of practical courses of action which can be taken to mitigate the possibilities of being held liable for verdicts in excess of coverage.

As previously mentioned and again generally speaking, and any discussion of this subject must be general in character, there are two basic rules upon which individual Courts predicate the liability of the insurer for verdicts in excess of policy limits. This has been briefly touched upon before, and will be more fully developed now.

Lack of Uniformity

The first of these is the so-called fraud or bad faith rule, and the second is the rule of negligence. The most vexatious problem confronting one in the consideration of excess liability is the usage, by the Courts of the various states, of these words, bad faith and negligence as if they were synonymous. This lack of uniformity in definition of the words upon which, ostensibly, the liability of the insurer is predicated makes it difficult in most cases, and impossible in others, to determine the proper rule applicable, in a given

HIGHLIGHTS *in Insurance History*

FIRST FIREPROOFING . . . On March 17, 1735, Obadiah Wyld obtained an English patent for "making or preparing paper, linen and canvas and such like substances which will neither flame nor retain fire, by mixing alum, borax, vitriol or copper as dissolved" and dipping the fabrics into "a strong infusion of the said materials in water or thin size made hot."

The National Union and Birmingham Fire Insurance Companies, as members of the National Board of Fire Underwriters, are ever mindful of the efforts being made to devise more modern methods of fireproofing.

NATIONAL UNION and BIRMINGHAM

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jurisdiction, by mere reference to either of these words. What one Court defines as being bad faith *American Mutual Liability Ins. Co. vs. Cooper* (61 Fed. (2nd) Ala.) others have referred to as negligence *Abrams vs. Factory Mutual Liab. Ins. Co.* (10 N.E. (2nd) 82—Mass.).

In both of these cases the question of refusal to settle within limits was involved, and in the Alabama case the Court held that bad faith was shown in refusing to settle within policy limits, and acting merely in one's own interests, whereas the Massachusetts case held that negligence in willful refusal to settle within coverage would warrant recovery. Courts have referred to bad faith and negligence as being interchangeable words insofar as the assessment of liability is concerned *State Auto Ins. Co. vs. York* (104 Fed. (2nd) 730—N. C.), *Commercial Caus. Ins. Co. vs. Fruim-Colnon Ctr. Co.* (32 Fed. (2nd) 425—Mo.). Other jurisdictions will seemingly beg the question when a case involving excess liability is presented. *Hoyt vs. Factory Mut. Liab. Ins. Co. of America* (120 Conn. 156) wherein the Court discussed the bad faith rule as well as the rule of negligence, but refused to establish either as its definite decision.

Reasons Are All-Important

Therefore, it becomes quite obvious that insurance claims supervisors, legal staffs and defense counsel must be most apprehensive of this problem and its possibilities. They must look carefully to the alleged actions, or failures, by the insurers, upon which an attempt to predicate liability is being made. This must be done in order to discover the guides to follow on arriving at their proper courses of action. Those who have the authority of decision, and of action, must dissuade their minds of the bare words, fraud and bad faith, and negligence, and must dig deeply into the decisions of the particular jurisdiction under consideration, for the reasons why liability was assessed. The reasons are all-important, not the words bad faith or negligence. Actually it was the action, or the failure, which created the liability, by whatever name you call it.

I have often thought, when listening to claims people discuss the excess liability problem, and heard reference made to such a statement as—Texas has the negligence rule and Ohio has the rule of bad faith—that these all too brief summaries are too literally taken, and entirely too broad in their possible application. One Court's definition of negligence might be at complete variance with the interpretation given that word in another jurisdiction, and deciding cases on the basis of wholly undefined words might well place us in the position of having a case of bad faith on our hands regardless of how many times we christen it negligence.

So, if I may be permitted a bit of editorial license, it would be to suggest that even in excess liability cases, we must go back to proximate cause. Again, it is the action or the failure of the insurer; the proximate

(Continued on page 72)

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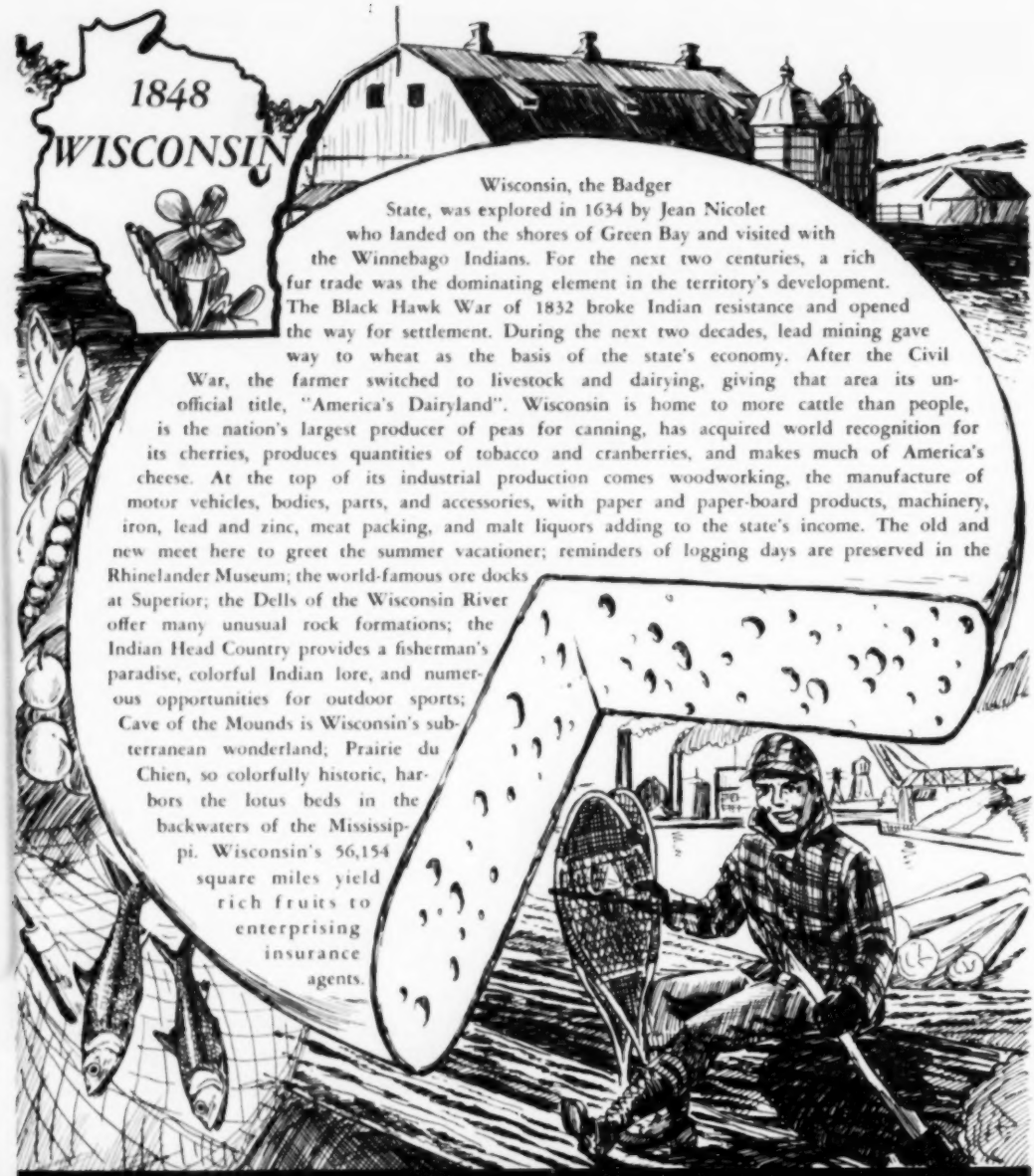

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COMPULSORY DIVISION OF COMMISSIONS

NOWHERE is the lack of uniformity in the regulation of insurance more apparent than in the different legislative treatment of the subject of compulsory division of commissions between producer and countersigning agent. Fortunately it is possible to group together the various states in four fairly definite groups; those without provisions for compulsory division, those requiring that the countersigning agent retain a substantial part of the commission (usually 50%) irrespective of services performed, those which accept the principle of compulsory division but which have a lower percentage to be retained, usually based on the formula of 5% of the premium, and finally those who work on the basis of reciprocity.

In discussions of this question, it is frequently customary to begin with the states which have some established division of commissions either by virtue of statute or by virtue of the ruling of an insurance department. Yet it would seem more appropriate to begin with the group of states which have not established any compulsory division of commissions.

No Compulsory Division

These states, which number approximately twenty-six, exclusive of the District of Columbia, and constitute the large majority not only in population but also in commercial activity, include the important commercial states of California, Indiana, Massachusetts, Missouri, New York, Ohio and Wisconsin, to name but a few. All of these states have statutory requirements for countersignature on non-resident produced business, but there is no legal requirement for a specified division of commissions between a resident agent who countersigns a policy and a broker or agent who originates the business. This matter is left to negotiation by the parties concerned.

At the other extreme lie approximately ten states, including Alabama, Georgia, Louisiana, Mississippi (by departmental ruling), New Mexico, North and South Carolina, Virginia, Oklahoma and West Virginia, which either through statute or by departmental ruling require that a specified portion of the commission, generally 50%, be retained by a resident agent who must countersign the policy.

A third group of states, approximately nine in number, have adopted the principle of statutory or regulatory division of commissions but have fixed the figure on a somewhat more modest basis which generally is 5% of the premium or, in the cases of Maine, Nevada and New Hampshire, the E.U.A. schedules which call for a commission of 5% of the premium to the countersigning agent subject to a $5 maximum and a $1 minimum with leeway for additional compensation to the resident agent in the event additional services are desired.

The last group of states, which consists of Arkansas and Florida and possibly Pennsylvania, are the states which do not have fixed limitation but which proceed on the basis of a division on a reciprocal basis.

Statutory Development

The statutory requirements covering specified divisions of commissions have developed from the countersignature laws. There can be little question today of the constitutionality of a state requirement for countersignature of policies produced by a non-resident broker or agent. The purpose of these laws was to make sure that an insurance contract would be made subject to and interpreted in accordance with the laws of the state where the insurance risk was located and where the insured generally resided. It is a basic principle of law that a contract is construed according to the laws of the state where the last act necessary to complete the contract takes place. By requiring that a contract should not be deemed effective until countersigned by a resident agent, a state could assure that a particular contract covering a risk within its borders would be interpreted according to its laws.

Thereafter, further reasons were advanced to justify the requirement of countersignature. One of these, and a sound one indeed, was that through the requirement of partici-

(Continued on the next page)

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pation by a resident agent, illegal practices of rebate could be made more susceptible of detection and control. Again by requiring resident agents to keep records of premiums on policies countersigned by them, a particular state could keep itself informed for tax purposes on the volume of business done within its borders by a foreign company. Finally unfair underbidding through the quotation of erroneous rates could be minimized.

After these countersignature laws were in effect, several states enacted further provisions requiring the countersigning agent to retain a specified percentage of commissions developed on insurance covering risks within the state even though such insurance might have been originated by producers outside the state. Such divisions of commissions were to be made irrespective of the relative work done and the respective services rendered by the originating producer and by the countersigning agent.

Legal Attacks

All of these statutes were developed during the period when the Supreme Court held insurance not to constitute inter-state commerce. Since it was impossible to attack them on the ground of undue burden on commerce, the assault was based on the premise that a state might not regulate or penalize the making beyond its borders of contracts of insurance upon persons or property located within the state. It was claimed that the prohibition of the making of contracts of insurance negotiated outside of the state unless countersigned by a local agent retaining a fixed portion of the commissions constituted an attempt on the part of the state to give its laws extra-territorial operation and a denial to non-residents of due process of law and a deprivation of property. This attack was not without initial success. In 1926, the Supreme Court invalidated a New Mexico statute which made it unlawful for an insurance company authorized to do business in New Mexico to pay any commission to any person not a resident for writing a policy of insurance covering a New Mexico risk (*Fidelity & Deposit Co. v. Tafoya*, 270 U.S. 426—1926).

Osborn v. Ozlin

It was not until 1940, however, that the Supreme Court had occasion to consider the validity of a less extreme statute which provided for a specified division of commissions. By this time, the composition of the Court was vastly different from that of the days of 1926 "normalcy" and in the famous case of *Osborn, et al. v. Ozlin* (310 U.S. 53—1940), the Court by a 6 to 3 decision upheld the validity of a Virginia statute which required the resident agent to retain at least 50% of the commission for the act of countersignature.

In the Osborn case, the majority felt that the interest of the state of Virginia in local risks was sufficient to uphold a Virginia statute which provided that a Virginia countersigning agent might not re-allow a licensed non-resident broker in excess of 50% of his commissions. If the extra-territorial effect of the regulation had a reasonable connection with Virginia's interest, the Court would not interfere.

The majority did not necessarily approve of the policy behind the Virginia statute. After analyzing the relative functions of the producer and the countersigning agent and considering the servicing factor, the Court merely pointed out that its function was not to decide whether such a statute might be "ultimately mischievous" but merely whether Virginia had legislated on a subject "within her power." The Court answered this in the affirmative and stated that with such an answer the limit of its inquiry had been reached. This was the period of the highwater mark of judicial deference to legislative action.

Dissenting Opinion

In his dissenting opinion, Mr. Justice Roberts described the statute as an exertion of power by Virginia over transactions beyond her jurisdiction. He agreed that Virginia might regulate the making of contracts of insurance within her own

border, but stated that the purpose and effect of the statute was to "compel an insurance company which is a citizen of another state, and which negotiates a contract of insurance with an agent or broker within such other state, to pay a resident of Virginia for a service not rendered by him but rendered by another in another state." He characterized the Virginia statute as an effort "to compel a non-resident to pay a resident of Virginia for services that the latter does not in effect render and is not required to render," and stated that the principals underlying prior decisions of the Court were "at war" with the existence of any such asserted power.

It was not long before the Supreme Court in effect reversed its earlier decision in *Fidelity & Deposit Co. v. Tafoya* and upheld in effect a Montana statute providing that certain types of stock insurance companies might not write insurance on Montana risks unless the policy was written through a local agent receiving a "full commission" which was not to be rebated or divided (*Holmes v. Springfield Fire and Marine Ins. Co.* (311 U.S. 726—1940).

Criticism of Osborn v. Ozlin

Although the Osborn case has many times been cited as a controlling authority on the constitutional aspects of this question, it is interesting to note that this holding has not escaped criticism. Indeed, in one of the leading national law reviews (Note, 54 Harv. L. Rev. 1062—1941), shortly after the decision, the following comment was made:

> "The lower costs and greater efficiency of centralized administration which accompany buying and selling insurance on a national basis may be jeopardized if the Court continues to play its role of self-denial under the due process clause, when states where the insurer or the insured reside or where the contract is made can assert their interests and enact exacting and possibly inconsistent regulations."

(Continued on page 74)

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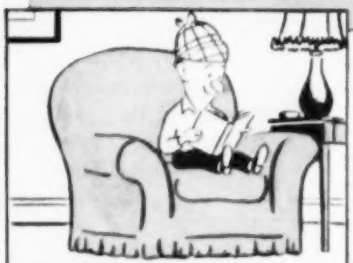

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OUTLOOK *for* FIDELITY *and* SURETY

HORACE T. CATOR, President,
Surety Association of Pittsburgh

AS WE enter into a new decade, it is only right and proper we should pause to consider where the fidelity and surety business is heading. What are the prospects for increased volume during the next ten years? In comparing the figures for 1949 with the results of 1939, we find that fidelity premiums increased from approximately forty-one million dollars to approximately fifty-three million dollars. During this same period surety premiums increased from about fifty million to a little over ninety-three million dollars. Thus, the total fidelity and surety premiums during these ten years increased from ninety-one million dollars to one hundred forty-six million dollars, which is an increase of a little more than 60%.

This would appear to be quite a large increase but when we compare it with that of the total casualty business during the same ten years, we find that the fidelity and surety increase was small by comparison. From 1939 to 1949 casualty premiums increased from $1.1 billion to $4 billion, an increase of nearly 265%. I believe that in the next ten years the premiums of the fidelity and surety companies can and will be increased by an amount which will make the increase of the past ten years seem small, more nearly approaching the sizeable increase shown by the total casualty business.

A Program of Education

As I see it, our program during the new decade must be one of education. By this I mean education of the fidelity and surety company men, education of the agents and brokers who handle fidelity and surety business and education of the public who are the buyers of fidelity and surety bonds. The education of the company men must be handled by the companies themselves through their own training programs which must, of necessity, be supplemented by literature and other material put out by The Surety Association of America. The education of the agents and brokers must be taken care of largely by the fidelity and surety companies through educational courses and assistance from field men. This in turn can and will be augmented by insurance courses,

such as those conducted by the various insurance schools. Many of our larger universities have instituted insurance classes and these too will serve to educate those about to enter the insurance industry along the lines of fidelity and surety.

The education of the public must be directed first toward business generally, through national advertising and word of mouth. Business men must be made aware that dishonesty losses exceed from year to year those caused by fire. It must be brought home to them that blanket fidelity bonds afford the same protection to the liquid assets of a corporation or firm that fire insurance affords to the physical assets; that the loss of either can be equally disastrous. It was not so long ago that a survey was made of a large number of business organizations throughout the country and of those contacted only about 8% carried fidelity coverage. By far too large a portion reported that they had never been approached on dishonesty insurance by any agent handling their insurance lines. This, I think, is a reflection on our industry. I know we will take steps to see it is corrected.

Architects and Engineers

We must also direct our program of education toward the architects and engineers. Contract bond premiums are undoubtedly the largest class of surety premiums. While it is estimated that public construction during 1950 will total $3,800,000,000, which is an increase of 8% over 1949, I do not feel we can count on this additional public construction for our increase in surety premiums. Private construction during 1950 is estimated at $5,700,000,000. If we are substantially to increase these contract bond premiums, we must immediately institute a nationwide program aimed at convincing engineers, architects and owners that if contract bonds are practical and worthwhile on public work, they are similarly practical and worthwhile on private construction. The small additional cost for a bond guaranteeing the completion of a proposed office building, apartment house, factory, mill, or even a residence, is negligible when we consider the losses that have and will

(Continued on the next page)

again occur whereby the owner must put out a much larger sum than originally anticipated to complete his project.

It is true that during the past several years there have not been many substantial losses on construction work, but full consideration must be given to the fact that these past few years have been exceptional ones. All types of business and professions have been showing enormous profits.

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There is no question but that more owners are seeing the wisdom of this type of protection. The premiums from contract bonds on private construction have been increasing from year to year. I believe, however, that we barely have our foot in the door. If the energies of the surety industry are directed toward selling corporations, firms and individuals on the value of performance bonds, we can very materially increase our volume of business and profits.

It would seem to me, too, that an educational program should be directed toward attorneys who are the source of our very profitable fiduciary and court bond business. While it is true these bonds are required by law, I believe some real good can be accomplished through a program which will convince lawyers that personal suretyship is of little real value when a loss occurs and that every personal surety should be compelled to file a financial statement and be subject to qualification requirements similar to those imposed upon the surety companies before they can become surety in the Courts. There are presently such qualification requirements in a number of jurisdictions and I believe every effort should be made to extend their use.

We must not overlook public accountants. They can be helpful to our industry and we to them as well. They are called in so frequently to audit books after a defalcation has occurred. They are in a position to know the extent of these losses and to realize the value of complete dishonesty protection. They are in an excellent position to supplement our efforts in selling dishonesty coverage by adding their recommendations to the sales arguments which we have used. We all know the value that such unbiased recommendations have in closing a sale.

I have every confidence that this decade will prove one of the greatest in the fidelity and surety business, but only if the education of company men, agents and brokers and the general public is carried out to the fullest extent. This is the problem and duty of every one of us who is interested in the fidelity and surety business. I know that if we all make up our minds to do so, it can be accomplished.

BOHLINGER N. Y. SUPERINTENDENT

Alfred J. Bohlinger, first Deputy Superintendent for the past year, has been named Superintendent of Insurance of New York by Governor Dewey. He succeeds Robert E. Dineen, who resigned to become vice president of the Northwestern Mutual Life.

Mr. Bohlinger has also been appointed chairman of the committee on valuations of the National Association of Insurance Commissioners.

FIRE DEDUCTIBLE APPROVED IN W. VA.

THE West Virginia Insurance Department has approved a deductible endorsement for fire policies filed by the Federal Insurance Company of the Chubb and Son fleet. The approval supersedes a previous temporary approval and was based on the reasoning that the deductible was not discriminatory. The company will be required to maintain statistics on experience under the deductible for later presentation to justify the discount offered.

W. C. RATE HEARING

A HEARING was held by the New York Insurance Department on the contention of the New York Shipping Association that its workmen's compensation rate was excessive. The association seeks a retroactive refund on 1948 premiums. The right of the department to order a refund was challenged by the Compensation Insurance Rating Board. The hearing was adjourned to allow interested parties time to file additional data with the department.

C.P.C.U.

QUESTIONS & ANSWERS

PART IV—LAW

QUESTION 1

(a) On March 15th, "A" ordered from an agent, a fire policy on his dwelling, to be effective that date. The agent subsequently issued such a policy dated March 15th, in a company he represented.

On the morning of March 18th, the agent was about to mail the policy to "A" with a bill for the premium when he learned that the dwelling had been destroyed by fire just two hours before. Thereupon, the agent held up delivery of the policy.

Does "A" have a claim against the company for the fire loss? Explain fully the legal principles which determine your answer.

(b) One of the requisites of a valid contract is "legality of object." Explain fully what this requisite means and indicate its particular significance with respect to a contract of property insurance.

Answer

(a) "A" does have a claim against the company for the fire loss. There was an offer and an acceptance and a valid contract was effected. The application for insurance was the offer and the issuance of the policy was the acceptance. In property insurance the insurer's consent to assume the risk constitutes an acceptance of the applicant's offer. Physical delivery of the policy is not required, nor is it necessary that the insurer's manifestation of consent be communicated to the applicant in order to become operative. The agent issued the policy and was on the point of mailing it to the applicant—conduct which evidences a clear manifestation of consent to the applicant's offer. The agent's acts fell within the scope of his actual or apparent authority and bind the principal under general rules of agency law.

This contract seems to satisfy all the requisites of contract law. The applicant's obligation to pay the premium is the consideration furnished by him. An insurable interest was present and the bargain seems to be legal in all respects. There is nothing to indicate fraud, mistake, or any other element preventing reality of consent. The contract provided by its own terms that coverage should begin as of March 15. Thus the dwelling was covered by a binding contract of fire insurance when it burned.

(b) "Legality of Object" means that a contract must be legal in purpose. A bargain which is illegal or contravenes public policy is, as a general rule, void. The courts usually adopt a "hands-off" attitude and refuse to enforce or to undo such bargains.

Examples of some of the many classes of illegal bargains are: gambling and wagering transactions; bargains which violate a positive rule of common or statutory law, such as a builder's agreement to construct a dwelling in violation of the building code, or a usurious bargain whereby a lender seeks to exact more than the legal rate of interest.

Legality of object is a requirement for a contract of property insurance, just as it is for contracts generally. If, to take an extreme example, an insurer should knowingly issue a fire policy to a smuggler to cover contraband, the transaction would represent an illegal bargain.

The particular significance of legality of object with respect to property insurance contracts involves the question of insurable interest. Lack of insurable interest renders the policy a void and unenforceable gambling transaction. The insured must have an insurable interest when the loss occurs.

DEAN'S NOTE

This composite set of answers to the June 1949 Chartered Property Casualty Underwriter examinations given by the American Institute for Property and Liability Underwriters, Inc., has been prepared from the papers of the examinees. Editing was necessary to assemble each composite answer and present it in condensed form. However, the content in some cases is more complete than was required for a high grade and answers have been given to all the questions even though the candidate had a choice.

It should also be mentioned that although these answers have been taken from meritorious papers, they are not necessarily perfect. Many of the questions involved judgment on the part of the candidate and no hard and fast solution could be required. Credit was given for the reasonableness of the answer and the evidence of intelligent application of a candidate's knowledge.

Candidates are cautioned not to rely on this set of questions and answers as a method of direct preparation for the C. P. C. U. examinations. They may be useful as a guide to the type of questions asked and the content of answers desired by the Institute, but they cannot be a substitute for thorough study and mastery of the subject matter of the Institute's curriculum.

QUESTION 2

"B" drew a check for $200 payable to "C's" order and gave it to "C" in payment of a debt owed by "B" to "C." "C" promptly signed his name on the back of the check and mailed it to his bank for deposit in his account. The check never reached the bank. Two days later "D" presented the check for payment at "E" Bank, on which the check was drawn. That bank paid "D" the amount of the check and charged "B's" account at the bank. "D" had

(Continued on the next page)

received the check from a customer on the preceding day and had taken it innocently and for value in the usual course of business.

(a) What rights, if any, does "C" have against (1) "B," and (2) the "E" Bank? Explain fully.

(b) Explain how "C" might have prevented this situation.

Answer

(a) (1) "C" has no rights against "B" or "E" Bank. The check was a valid one backed by funds in the drawee bank. "C's" signature on the back of the instrument converted it into a bearer document negotiable by delivery alone and facilitated its passage into unintended channels. The check was properly paid by the drawee bank and "B's" account in the bank was charged with the amount. "B" has, therefore, paid the check and the original debt for which it was drawn is discharged. In practical effect the situation is the same as if "B" had paid "C" in cash and "C" later lost the money.

(2) "E" Bank has discharged its duties. Its payment to "D" was perfectly proper, for "D" appears to be a holder in due course. He received a negotiable instrument indorsed in blank by the payee, he paid value for it, he was innocent, and the check was complete and regular and not overdue. He was, therefore, entitled to receive payment of the instrument and "E" Bank's payment to him was a payment in due course.

(b) "C" might have prevented this situation by using a special or a restrictive indorsement. He could have indorsed specially "to the order of" his bank, or he could have indorsed restrictively as follows: "Pay to ——— Bank, for deposit to my account." Such a restrictive indorsement prevents diversion of the instrument to unintended uses. It informs the world of the indorser's mandate and precludes use of the instrument for any purpose other than the collection of the proceeds for deposit in the indorser's account. A person to whom the instrument is negotiated for any other purpose could not claim the favored status of a holder in due course.

QUESTION 3

(a) "F" was awarded a contract to build a house. He asked "G," a broker, to obtain a builder's risk policy covering this contract and "G" agreed to do so. "F" was a contractor who had previously dealt with "G" for this type of policy. The past practice of the parties was that "F" paid the premium for each policy upon completion of the particular building insured. "G" was unable to obtain a policy on this specific risk but did not notify "F" to that effect. Later the building burned while in course of construction.

Does "F" have a claim against "G" for the loss? If so, why? If not, why not?

(b) Distinguish between (1) an agent's actual and apparent powers, and (2) the responsibility of the agent to the principal in the exercise of each of these types of powers.

Answer

(a) "F" does have a claim against "G" for the loss. "G" was "F's" agent for the purpose of placing the insurance requested. An agent owes his principal various duties, including the duty to use due care and to impart knowledge of all material facts. In view of the prior dealings between the parties, "F," uninformed of "G's" inability to procure the insurance, was led to believe the insurance had been placed and was lulled into a false sense of security. When "G's" efforts to obtain the insurance within a reasonable time failed, it was his duty promptly to notify "F" of this vital fact, so as to enable "F" to seek the insurance elsewhere or take other appropriate steps for the protection of his interests. "G's" dereliction in failing to communicate the true situation to "F" constitutes actionable negligence.

(b) (1) An agent's express powers are those expressly delegated to

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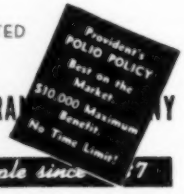

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him by the principal. The agent has, in addition, all those powers which the principal confers by implication from his conduct and all those powers which are necessary or reasonably suitable to the execution of the express powers.

The express and implied powers of an agent constitute his actual powers. His apparent powers are those which to third parties he appears to have as a result of his and his principal's conduct. A principal who permits appearances of authority to exist in his agent is bound to innocent third parties who deal with the agent within the scope of these appearances. The doctrine of estoppel precludes the principal from escaping liability in these cases. For instance, a principal who places an agent in charge of a store as general manager makes it appear to the world that the agent has all the powers usually and generally exercised by general managers similarly situated. Limitations imposed by the principal on the agent's authority would be ineffective against innocent third parties who are unaware of them.

(2) An agent who acts within the scope of his actual power, express or implied, and who otherwise is not remiss in the duties owed by an agent to his principal, is under no liability to the principal. On the other hand, an agent who acts without actual authority but within the scope of his apparent authority, and thereby causes the principal to sustain a loss, is liable to his principal for the loss. For instance, an agent acting within the scope of his apparent authority may write insurance covering a risk forbidden by his principal, and the principal may be bound on the theory of estoppel to pay the third party insured for the resulting loss. The agent is legally liable to indemnify the principal for this loss.

SOMETHING NEW HAS BEEN ADDED

The General Accident and the Potomac have expanded their facilities under the new multiple-line writing regulations and are issuing a full line of fire and casualty insurance. A feature of the program is

INLAND MARINE INSURANCE

GENERAL ACCIDENT ASSURANCE CORPORATION

THE POTOMAC INSURANCE COMPANY

EXECUTIVE OFFICES
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QUESTION 4

(a) $50,000 of the assets of a corporation were lost as the result of the negligent and fraudulent mismanagement of its directors. A shareholder in the corporation contends that this depletion of assets diminished the book value of his shares by $500 and that the delinquent directors are liable to him for $500.

(1) Is this shareholder's contention about liability to him legally sound? Explain fully.

(2) Is there any legal method or remedy by which this shareholder can compel the delinquent directors to account for $50,000 to the corporation? Explain fully.

(b) Three months after a loss had occurred under a fire policy, the insured notified the insurer, which then assigned an adjuster to the case. The adjuster examined the damaged property and made an adjustment with the insured. The adjustment set forth an itemized estimate made by the adjuster and contained a signed statement expressing the insured's approval of the estimate. The adjustment was sent to the insurer. Six months later the insured was informed that the insurer would not pay the claim on the ground that the insured had failed to file proof of loss within 60

(Continued on the next page)

days as required by the policy. Is the insurer's refusal to pay on these grounds legally correct? Explain fully the legal principle which determines your answer.

Answer

(a) (1) The shareholder's contention is not sound. A corporation is a legal person, an entity separate and distinct from the shareholders. The corporation owns the assets of the business and the shareholders own the corporation. The loss of the assets in this case was therefore a corporate loss. Legally the complaining shareholder has not suffered any individual loss. He has sustained no injury which is peculiar to him as distinct from his fellow shareholders. The injury is a collective one sustained by the entire body of the shareholders as a unit. Accordingly, he has no individual claim and the delinquent directors are not liable to him.

(2) There is a legal remedy whereby this shareholder can compel the delinquent directors to account for $50,000 to the corporation. The directors' misconduct has resulted in a dissipation of corporate assets and the directors are liable to the corporation. The shareholder or a group of shareholders may institute a stockholders' suit against the directors to compel them to restore $50,000 to the corporate treasury. Restitution of this sum to the corporation will restore it to its former position and will completely rectify the situation. A stockholder's suit is a legal device whereby a corporation is brought into court to enforce a claim which it has when the management fails or refuses to bring a suit in the corporate name. In short, a shareholder institutes a suit by the corporation to recover on a corporate cause of action.

(b) The insurer's refusal to pay on these grounds is not legally correct. Waiver is the voluntary surrender of a known right. It may be express or implied. When the insured notified the insurer three months after the loss occurred, the insurer was in a position to raise its objections to the insured's failure to comply with the conditions subsequent in the policy. Instead, the insurer, without objection, assigned an adjuster to the case and then maintained a silence for six months after receipt of the adjuster's report. This conduct was an implied waiver of its right to object to the insured's noncompliance with the proof-of-loss provision in the policy.

The insurer might have tried to preserve its rights by having the insured sign an appropriate agreement before assigning the adjuster to the case. It is doubtful whether even such an agreement would have altered the result under the circumstances presented here. In the absence of evidence showing that the insurer has been injured by the insured's noncompliance with this term, the courts are prone to excuse noncompliance with, and are quick to imply waivers of, this provision.

QUESTION 5

(a) A restaurant operates a small parking lot, under the supervision of one of its employees, for the convenience of its patrons. No charge is made for this service. A patron leaves his car with the attendant on the lot and receives a ticket from the attendant and enters the restaurant

PERSONALIZED SERVICE

for

PARTICULAR AGENTS

TRI STATE INSURANCE COMPANIES

Perry D. Inhofe, Pres.

TULSA — OKLAHOMA

FIRE — CASUALTY — BONDS

for dinner. Explain precisely and fully the relationship resulting from this transaction and the respective rights and obligations, if any, of the parties.

(b) A householder obtained a refrigerator from a dealer under an installment purchase contract which provides that the title to the refrigerator shall remain in the dealer until the last installment is paid but makes no mention of responsibility for carrying insurance. Explain carefully the nature of this transaction and state, with reasons, who would bear the loss if the refrigerator should be destroyed by accidental fire while in the householder's possession before payment of the final installment.

Answer

(a) This is a bailment for the mutual benefit of both parties. The patron, the bailor, surrenders possession of his car (including the keys, apparently) for temporary safe-keeping to the restaurant, the bailee, represented by its employee, the attendant. The patron receives the advantage of parking his car without extra charge and the restaurant receives the benefit of increased patronage. Operation of the "free" parking lot for customers is obviously prompted by business considerations. It is a feature designed to engender good will and to attract trade.

In a bailment for the mutual benefit of both parties, the bailee is required to exercise reasonable care. Hence the restaurant owes the patron the duty of using reasonable care in protecting the parked car, and is liable to him for loss of or damage to the car resulting from its failure to exercise such a standard of care.

(b) This transaction is a conditional sale and the risk of loss would be borne by the householder. The general rule is that the risk of loss follows the title. An exception to this rule is that where the seller delivers an article to the buyer, but reserves the title merely as security for payment, the risk of loss passes to the buyer from the moment of such delivery. A conditional sale is an illustration of this exception. The seller reserves the title merely to secure the unpaid balance of the price and the risk of loss is borne by the buyer. The vendee has possession and use of the item, enjoys all the beneficial incidents of ownership, and is for all practical purposes the real owner, subject only to his obligation to pay the price.

Conditional sales agreements usually provide that the buyer's obligation to pay the price is not terminated by destruction of the item sold. The buyer has an insurable interest in the article purchased and may protect himself by insurance. The household contents form specifically mentions as included in its coverage, property usual to a dwelling, purchased under an installment plan.

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London: 4 Fenchurch Ave.

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QUESTION 6

(a) "H" rented a residence under a two year lease calling for a specified monthly rental payable in advance for each month. At the end

(Continued on page 45)

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C.P.C.U. Answers—from page 43

of the first year, "H" without obtaining the consent of the landlord, assigned the lease to "J." "H" moved out and "J" took possession. "J" made no promise to assume or carry out "H's" obligations under the lease.

(1) May the landlord evict "J" on the ground that the landlord is not bound by the assignment? Explain fully.

(2) Is the landlord entitled to recover the rent as it falls due (i) from "H," (ii) from "J"? If so, why? If not, why not?

(b) "K" obtained a lease on an apartment house. Six months later the apartment house was destroyed by a tornado. Under the usual common law rule, is "K" obligated to continue paying rent for the remaining six months under the lease? Explain fully.

Answer

(a)(1) The landlord may not evict "J" on this ground. In the absence of provision to the contrary in the lease, a tenant is free to assign the lease and does not need the landlord's permission for that purpose. The tenant's term under the lease—that is, the right to enjoy the use of the premises for the stipulated period—is a right of property which the tenant may transfer to another. It is because of this principle that landlords commonly insert into leases a clause forbidding assignment of the term or subletting without the landlord's consent. Such a limitation is effective, of course.

(2) The landlord may continue to collect the rent as it falls due from either "H" or "J," at his option. A person cannot terminate an obligation he owes by the simple expedient of transferring it to another. In the absence of an agreement whereby the obligee releases the obligor and accepts an assignee in substitution, the obligor's original obligation persists. Thus, "H," the original tenant who assumed the obligation to pay rent, is not relieved of his obligation by assignment of the lease.

"J" is liable to the landlord for the rent as it falls due even though "J" never expressly agreed to pay the rent. The original tenant's promise to pay rent is a vital part of the lease and is said to be a "covenant running with the land." A party enjoying possession under a lease becomes subject to an obligation or covenant of this character. The enjoyment of the benefits carries with it the implied assumption of the burdens as the price of that enjoyment. This principle is one of property, not contract law, and the possessor's failure expressly to assume the obligation is of no significance.

(b) At common law it was early held that destruction of the premises, even by Act of God, did not discharge the tenant's obligation to pay rent for the balance of the term under the lease. This view was taken at a time when land, as such, occupied an exalted position in the economy and rural leases were predominant. The land itself, rather than the structures on it, was considered the basic element in the lease, and of course the land remained despite the destruction of the premises. The application of this view to urban leases—and especially those for commercial property, in which the use of the premises is the essence of the lease—is open to question. Nevertheless the common law rule generally prevailing does not relieve the tenant from the express agreement to pay rent when leased premises are accidentally destroyed, unless the lease so stipulates. Such stipulations are commonly found in leases. It should be added that the common law rule just described does not apply where the entire subject matter of the lease, such as a room, an apartment, or a building without land is destroyed and nothing remains to be held or enjoyed.

WINDSTORM DEDUCTIBLE CONSIDERED

STATISTICS are being collected in the mid-western states to support the possible use of a deductible in windstorm policies. The question is a highly controversial one with proponents of a deductible pointing out that a great number of small claims would be eliminated and opponents arguing against any lessening of the service provided by the insurance industry. A windstorm deductible is presently being used in other areas of the country including Florida, Texas and the Gulf of Mexico area, New York and New England.

AGREEMENT ON GLASS LOSSES

AN AGREEMENT of guiding principles, effective June 21, covering the apportionment of losses involving glass damage where there is overlapping coverage between the casualty companies and the fire companies has been recommended to their members and subscribers by the Association of Casualty and Surety Companies and the National Board of Fire Underwriters.

PROPOSED EXTENDED COVERAGE CHANGES

THE North Carolina Fire Insurance Rating Bureau has filed proposed changes in the rates and minor changes in the forms for writing extended coverage insurance in that state. An overall reduction in rates of not exceeding 15% is proposed which would mean an annual saving of about $466,000 to policyholders.

One Man's Opinion—from page 19

I am convinced that integrating and streamlining our rating machinery and procedures together with constant and persistent effort to remove departmental and legislative as well as company imposed bottlenecks and road blocks that prevent or retard the development of new and better forms of coverage will go a long way toward a solution to many of our problems.

For example, the development of the installment premium payment plan not only provided its own difficulties but also threw the harsh glare of reality upon the term rule. Term rules, like Topsy, just grew . . . no one seems to know how. They spread nationwide without uniformity. It is my view that with this complete lack of consistency there is no justification for the discounts allowed under the varying term rules now in effect.

However, with a realistic rating plan administered through a national rating procedure it is reasonable to believe that a defensible uniform term rule with a defensible term discount could be developed. If this were accomplished, the installment premium payment plan problem would shrink from its present Frankenstein proportions down to its proper size in our business and would perhaps be applied only at justified premium levels.

Commissions

And now we come to the consideration of the last problem I have mentioned in my preliminary remarks: stabilizing the commission structure on an equitable basis. First, let us gain a clear perspective by reviewing briefly the recent past and the current trend of our business.

After several decidedly lean years, 1949 proved to be a most profitable one. In that year the business finally squirmed out of the three-way stranglehold of underwriting losses, nose-diving investment values and zooming unearned premium reserves.

Despite this unusually profitable record in 1949 and the indication that 1950 may repeat on a more modest scale, we are not justified in assuming smooth sailing from now on. There are shoals ahead. The impact of rate reductions is beginning to be felt, with the distinct possibility of more to come.

Losses are beginning to climb and new business is becoming increasingly coy. However, these danger signals are being ignored by an alarming number of people in our business. In their shortsighted anxiety for a larger share of the available business, they are bidding for it with special inducements and exciting promises of reward. These people who have jumped to their feet in the grandstand urging on producers are very conspicuous now. But where were they when the capacity problem was acute and agents and brokers were crying for help? Let us not forget that when one person stands up in the grandstand he gains a temporary advantage; but when everybody stands up nobody gets an advantage.

It is sincerely to be hoped that the pied pipers with the especially alluring tunes do not lead us all in a disastrous parade. It is always fun to ride in the procession but it is well to figure out in advance where the parade will end.

We do know that it has started. Companies and producers are in the same car and we are all going to end

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up in the same place whether we like it or not. Let us hope that cautious driving is the order of the day. If caution is abandoned we must all be prepared to accept the unpleasant consequences.

Unpleasant Possibilities

I would not presume to predict these consequences of a widespread move within our business to attain a goal of special reward, but I will earnestly state a number of possibilities which we all must wholeheartedly hope will not occur.

We must hope that unqualified newcomers whose only interest in this business is unusual financial gain will not be attracted to the production ranks. These people render no service worthy of the name and at the end of the lush cycle they depart for greener fields leaving all of us to share the discredit they bring upon the business.

We must also ardently hope that our business is never misled into any concerted action which would tend to crystallize public opinion in our disfavor. Since our policyholders and stockholders form a large segment of the public we must particularly avoid steps which will affront them. One such step would be a long continued trend toward mounting expenses.

So far as I am aware there is only one source of revenue from which extra compensation can be drawn. That source is the expense dollar. The displeasure of policyholders and stockholders at mounting expenses would inevitably contribute to overall public reaction against our business, and probably to ill-considered rate reductions.

Meanwhile if such a drama were played on the public stage there would be eagerly waiting in the wings that same old character disguised as a hero who is always too willing to spring to the defense of the public. His name is Government Regulation.

Unlimited Future

In essence I am convinced that the future of our business is unlimited and that a long range program of constructive cooperation between all forces in the industry will not only contain the threats I have cited but will make our position impregnable.

And here we begin to look at the broader vista of the years to come in the light of the long historical past. The one procedure, in my judgment, which will guarantee the preservation of our business in its present form, but with increased operating efficiency, will not be too popular in all quarters—for—sugarcoat it as we may—at the core it must consist of individual effort—a pill which many people today find increasingly difficult to swallow.

The individual sustaining himself by the sale of insurance on the local agency basis, however, should have no trouble in downing his portion, because he is used to competitive effort and his current economic status is the fruit of his own hard work and nothing else.

Our individual effort must be applied enthusiastically and with teamwork to the most important single

(Continued on the next page)

SALES IDEA OF THE MONTH

Tell the Whole Story

Liability losses paid by stock insurance companies have nearly doubled in the past 10 years. Furthermore, fraudulent claims are rising. The field is wide open for the sale of liability coverage.

Sales are easier, though, if you tell a prospect the *whole* story about liability insurance—point out that it will protect him against *fraudulent* claims as well as *legitimate* ones.

Even though a claim is groundless, a lawsuit will cost him time, trouble, worry, and expense—unless he has the competent investigation and legal defense provided so inexpensively in a liability policy.

Stress this protection and service. Strengthen your sales story with news clippings about liability cases. A Zurich-American field man will be glad to help you plan an effective liability campaign.

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development within insurance in many years: multiple line underwriting. Multiple line operation represents a marked advance in our march of progress.

This industry stands where it is today because progressive men within our ranks have always realized that public demand dictates our final actions. I can recall, for example, reading of a general agent back in the '80s of the last century who was adamant against the growing demand for a certain type of coverage. Here is what he had to say:

"We beg to say that windstorms being entirely foreign to the business of fire insurance in which we are engaged, we have nothing to do therewith. Neither do we suppose that any other reputable fire company does, but only such companies as must resort to some ludicrous method or worse in order to get any business."

This emphatic gentleman, who doubtless never visited in the state of Florida, had to change his mind as time went by.

Our casualty brethren no doubt recall the opposition on many sides to the writing of automobile liability insurance in the early days. One embattled president of a leading company angrily said that he would not write liability insurance on steam locomotives running on steel rails—much less on machines running on the open highways. And mind you, those machines were running at far less speed than today and on uncrowded roads. Nevertheless this president and all others bowed to public demand and need and their opposition disappeared in the face of progress.

Streamlined Distribution

Thus, over the years, our business like other American enterprises has been adding new merchandise. For some time we have had a virtually complete line of products. As soon as this began to be true there began the streamlining of distribution of these products or in our own terms: Multiple line underwriting.

To phrase it another way, we might say that multiple line underwriting is the modern way of serving the public's insurance needs with improvement in the quality of protection afforded—increased operating efficiency on both company and agency side—with beneficial results to all concerned.

What are we company men, connected with fleets or groups, doing to achieve multiple line operations? We are proceeding with the arduous task of "integrating" our fire, marine, and casualty facilities. This does *not* mean we are simply pushing the fire and marine underwriters' desks over closer to the casualty boys, asking them to shake hands and then to work together in peace and harmony. It isn't that simple.

Physical integration of company facilities is mostly a matter of adjusting inconvenient building layouts and of bringing about gradually pleasant working conditions for employees newly thrown together.

Meanwhile, as is usually the case in important affairs, the real effort goes on well below the surface. This effort consists of complete re-educa-

75th

ANNIVERSARY

1875-1950

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tion of company staff members—and by staff members I refer to personnel from the president right across the board to the mail boy. Fire and marine men must learn the essence of the casualty business and vice versa. By re-education we do not simply mean that our company men must master the technical intricacies of that phase of our business with which they have hitherto been unfamiliar.

We do mean that company men must re-evaluate their entire concept of the insurance business and recognize it as a service institution dedicated to the provision of *complete* protection for business organizations and for individuals—in other words, develop multiple line thinking.

Primary Duty

As company men, our primary duty is to provide facilities to the public through agents who sell complete protection to their assureds.

It is obvious that multiple line facilities will be of greatest value only to those producers who sell *accounts of insurance* because they are determined that there will be no gaps in their clients' program of protection. Producers following the discredited practice of policy peddling will find no particular advantage in the fact that the companies they represent have multiple line facilities.

But consider the advantages to the agent providing a professional service . . . advantages in the conservation of time through elimination of correspondence and other aggravating details. Ponder the worthwhile economic advantages as well . . . worthwhile because they are founded on the bedrock of sound service and not on the expedience of temporary situations.

The achievement of our aims can only come about through our joint determination to succeed. I have no doubt that we will . . . because we must. We have too much at stake to fail.

The attainment of better service is our chief safeguard against the encroachment of bureaucratic interests. A completely satisfied clientele will not stand for interference with a worthy organization.

Finally—we must all conduct our daily affairs with ideals to guide us and we must keep these ideals firmly fixed however rigorous the course becomes at times. If I may presume to re-state and re-phrase the principles which serve as ideals for many of us charged with company management I would advance these as our aims:

1. To manage our organizations with the firm resolve to maintain a fair balance of right among stockholders, employees, agents, and policyholders.
2. Never to risk endangering the quality of protection by seeking excess profits in behalf of stockholders.
3. Never to endanger stockholders' rights by permitting excessive expense.
4. Never to embark upon a course of expediency for temporary reasons; likewise never to be standpatters for the mere sake of consistency.

I am honestly convinced that agents will do well as representatives of companies which adhere to these policies and that over the years they will obtain the highest and most enduring degree of financial and other reward. Further I am sure it is the only way to build the life of an agency.

Certainly it is only from such companies and such agents that the insuring public will secure the highest quality of protection—in service and in fair dealing.

Is the Insurance Agent really "a Good Man to Know"?

DO PEOPLE GET ENOUGH INFORMATION?

Surveys are a Good Way of Telling People About Their Insurance

One of the things which make the agent "a good man to know" is the insurance *survey*.

A survey, of course, is information—information about the dangers of disaster and how insurance can meet those dangers. You can furnish information in many ways but the survey gathers it together all at once.

Granting that agents are prevented from making more surveys by lack of time or fear of making a mistake, it still seems a shame, doesn't it, that thousands of people don't know today *what* insurance protection they have or *whether* it's right or wrong!

We really should tell them—and the survey, whether "long-form" or "short-form", is one way of doing it.

People who get information from a survey think the agent is "a good man to know"!

1848

Ohio Farmers Insurance Company

Chartered 1848 . . LeRoy, Ohio

OHIO FARMERS INDEMNITY COMPANY

THE INSURANCE AGENT IS A GOOD MAN TO KNOW

KOREA WAR RISK RATES

THE American Cargo War Risk Reinsurance Exchange has removed from its published schedule the cargo war rate of 15¢ per $100 to or from Korea. Rates have been put on a day-to-day basis and will be quoted on application only.

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AUTO RATE REDUCTIONS

RATE reductions and a new classification plan for private passenger automobile collision insurance have been adopted in Maryland based upon the age of the driver and use of the car. Rate reductions of 18% on Class 1 and 9% on Class 2 will result in an estimated 15% overall reduction (effective August 1, 1950) and save assureds some $750,000 annually.

Kentucky

An overall reduction of 10% in collision rates for motorists over 25 years of age who do not use their cars for business purposes, was announced June 18, 1950 by Kentucky's State Insurance Director, Spalding Southall. It is estimated that the new rates will save Kentucky assureds $300,000 annually.

Colorado

Reductions of up to 10% on private passenger automobile collision rates filed by the National Automobile Underwriters Association have been approved by the Colorado Insurance Department. The reductions apply to cars not used for business purposes and where there is no driver younger than twenty-five. Reductions in automobile physical damage rates to provide an expected saving to policyholders of $200,000 a year have also been approved.

WINDOW FEATURE

THE first of a scheduled series of historical displays by fire, life and casualty companies is now featured in one of the windows of the home office of the Alfred M. Best Company, Inc. The current exhibit centers around the Metropolitan Life's first strong box, a small leather-covered steel box once capable of holding most of the Metropolitan's securities. Photographs, documents and other articles point up the progress and growth of the company and the changes in methods of operation which have evolved over the years. The exhibit includes an antique calculating machine, old advertising displays and many photographs contrasting the old with the new.

Other companies wishing to make similar displays are invited to write to Paul Murtaugh, Jr., Advertising Manager, Alfred M. Best Company, Inc., 75 Fulton Street, New York 7, N. Y.

A&H Developments

SOCIAL SECURITY

OSCAR R. EWING

Federal Security Administrator

THE Social Security act is up for general overhaul for the first time in eleven years. The original law of 1935 provided for old-age benefits under a federal program and for programs of unemployment compensation and public assistance to be administered by the states with federal financial help. The last major amendments, passed in 1939, added survivors benefits to the federal program.

H.R. 6000

Current amendments to improve social security are contained (except for the unemployment insurance features) in H.R. 6000. This bill was passed by the House of Representatives last October and, with amendments reported by the Committee on Finance, is before the Senate at the time I write.

Both the House and Senate versions of the bill are in accord that full-time life insurance salesmen should be covered as employees. The general provisions of the bill, however, are probably of even greater interest to the life insurance industry. The industry has long advocated extending the protection of the system to groups not covered by the existing law. This objective will be greatly furthered no matter whether the final law embodies the views of the House or of the Senate Committee on Finance or some compromise between the two.

Both House and Senate declare for the principle of contributory social insurance and state that the role of public assistance should be to meet the needs of those who do not qualify for insurance benefits and to supplement benefits when necessary.

This is most important. Our old-age and survivors insurance program relates both taxes and benefits to earnings—not absolutely but measurably: employee taxes are paid only during periods of earnings; a definite method is provided for financing the system; and the right to benefits is determined on a completely objective basis without applying a means test. This contributory system, in my opinion, is the most orderly and practical method of operating social security that has been devised.

Extension of Coverage

The House bill would extend coverage on a compulsory basis to approximately 7 million workers not now covered by old-age and survivors insurance, and voluntary coverage would be available to another 4 million employees of state and local governments through federal-state agreements. The Senate committee action would extend compulsory coverage to more than 8 million persons, but would permit optional coverage of only 1½ million employees of state and local governments.

Under the House provisions, state and local government employees who have a retirement plan of their own could gain the added protection of old-age and survivors insurance by voting for it by a two-thirds majority in a written referendum. The Senate committee's amendment would mandatorily exclude state and local government employees who are already under a retirement system.

Another principal difference between the House and Senate versions pertains to farm laborers. The Senate committee would cover regularly employed farm workers (those who work 60 days in a calendar

(Continued on the next page)

quarter for the same employer), while the House would not cover any of the farm population. In the Federal Security agency we hope that the views of the Senate committee will prevail, because farm workers are among those most in need of provision for old age and for their survivors if they die before growing old.

Also to be covered in one way or another are: about half of all domestic workers; employees of non-profit religious, educational, charitable and scientific organizations; Americans employed abroad by American employers; workers engaged in processing agricultural produce off the farm; and a few other categories, including a large portion of the non-farm self-employed. This last group is especially important to the insurance industry.

Self-Employed and Insurance Industry

Both the House and Senate versions of the social security amendments extend coverage to the non-farm self-employed, with the exception of members of some of the professions. The House excludes doctors, dentists, lawyers, osteopaths, veterinarians, chiropractors, optometrists, Christian Science practitioners, owner-publishers of newspapers and periodicals and some types of engineers. The Senate covers publishers, but excludes all professional engineers and adds to the exclusions architects, accountants and naturopaths.

Those engaged in the life insurance industry will come under old-age and survivors insurance, either as employees or self-employed, no matter which version of the bill prevails.

There was no definition of the term "employee" in the original Social Security act or in the 1939 amendments, other than the provision that an officer of a corporation is an employee. From the beginning of the administration of the act it was uncertain how far the use of the term, undefined, incorporated the common law rules of master and servant. Most of the lower federal courts thought that it did incorporate those rules, though a few of them took a broader view. The common law rules themselves, moreover, did not afford a clear line of demarcation between employees and the self-employed.

As a result of these uncertainties there was much contrariety of opinion about who was covered by the social security system, and much litigation. As might be expected, life insurance agents and salesmen were not immune from these ambiguities of coverage.

In June 1947, decisions by the Supreme Court of the United States rejected the view that common law rules were controlling. That court held the term "employee" should be construed, in the light of the broad social objectives of the legislation, to embrace all those who as a matter of economic reality occupy the status of employees. In addition to the detailed control which is the principal common law test, the court indicated that such other factors should be considered as the investment in facilities for the work, opportunity for profit and loss, the permanence of the relationship, the skill required for the work, and the integration of the work in the business for which it is done.

These principles were about to be embodied in regulations of the Treasury Department and the Federal Security agency when Congress, in 1948, passed the so-called "Gearhart resolution," Public Law 642. This resolution specified that no one should be deemed an employee unless he was such under "the usual common law rules." The result was to exclude from coverage upwards of a half million persons who would apparently have been covered under the Supreme court decisions.

In an effort to recapture the realistic approach of the Supreme court decisions, but at the same time to bound the coverage more explicitly than those decisions had done, the House of Representatives wrote a definition of "employee" into H.R. 6000.

Common Law Rule

The Senate committee did not fully accept the House definition of "employee." Like the House, the Senate committee adheres to the usual common law rules as a basic test. It enlarges on this test only to the extent, however, of including as employees full-time life insurance salesmen and commission drivers or agent-drivers, engaged in distributing bakery or meat products and laundry or dry-cleaning services. With respect to others who were included as employees under the definition devised by the House but are not so included by the Senate committee version, the committee seems to adopt the view that it is immaterial whether they are covered as

(Continued on page 68)

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OFFICE METHODS AND EQUIPMENT

In this Section . . .

Microfilming Titles 55

Modern Aids to Office Efficiency 56

Evaluating Insurance Jobs (Part III)—Elizabeth Lanham 57

Around the Office—Guy Fergason 58

Office Equipment Directory 67

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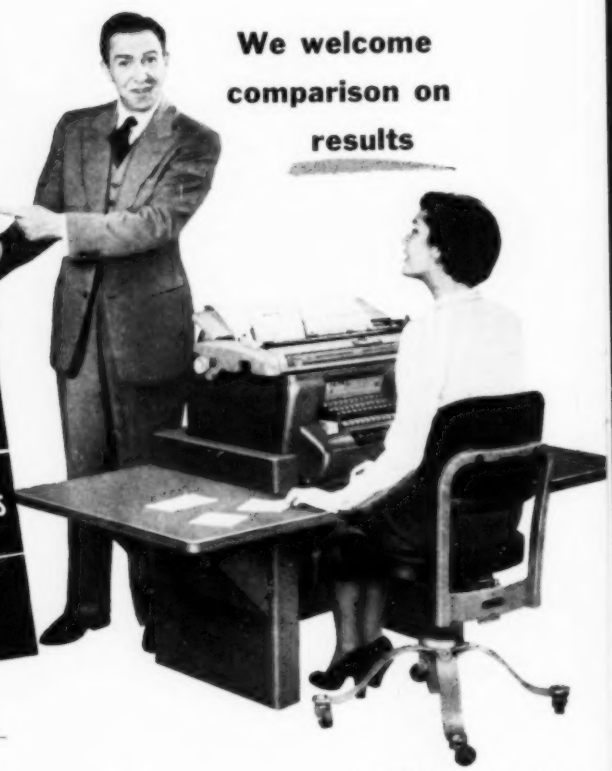

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MICROFILMING TITLES

OVER six million deeds, covering every parcel of public domain land granted to the citizens of the United States since 1788, are being microfilmed in the Bureau of Land Management, Department of Interior. Every piece of property in Alaska and the United States, except the District of Columbia, Texas, and 18 Eastern states, can be traced to these patents (deeds) in Washington. By law, the maintenance of these basic patent records is the responsibility of the Bureau of Land Management.

The microfilming program has been inaugurated primarily as a means of protecting these records, many of which are deteriorating from age and showing wear and tear from handling. Once microfilmed, they will no longer be subjected to the constant handling now necessary to answer some 500 inquiries received weekly from historians, novelists, realtors, lawyers, and title abstract companies.

The deeds are being photographed on three microfilming machines rented from the Recordak Corporation, subsidiary of Eastman Kodak Company. All work in connection with the project, with the exception of the film processing, will be done by employees of the Bureau of Land Management.

When the processed rolls of film are returned to the BLM, each patent image is inspected for sharpness and reproduction qualities, and numerical sequence. Defective images and "skips" are rephotographed and spliced back into their respective rolls.

Two readers are used for the inspection. These can magnify the images back to nearly twice size, making the inspection easy, more accurate, and fast.

Space Saving

Copies of the patents are now maintained in 11,700 bound volumes which occupy hundreds of feet of shelving and considerable floor space. When reduced to 100-foot rolls of 35mm microfilm, the entire record can be stored in about ten film files of six drawers each.

According to William C. Holland, Department of Interior engineer in charge of the microfilming project for the Bureau of Land Management, the life of the records on film may well be preserved indefinitely. Duplicate film rolls can be made from the master film record. These can be used for reference only, while the master record is safely stored in the vaults of the National Archives.

By replacing the reference rolls of film periodically, Mr. Holland estimates the life of the master rolls of film will be from 200 to 500 years. Then, if the master film is duplicated as a new "master," the film records can virtually be preserved indefinitely, he feels.

These patent records are not only important to the general public, as the primary link in the chain of title evidence to all real estate transactions, but they help to identify the public lands still remaining in Federal ownership, according to Marion Clawson, Director of the Bureau of Land Management. They also establish oil and gas and mineral rights reserved by the United States in all patented lands transferred to individuals, states, or counties.

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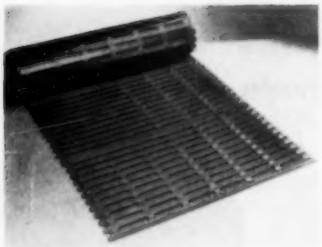
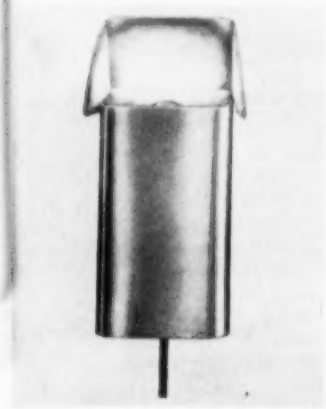


TRAFFIC-TRED

THIS counter-tred matting is especially designed for use as a runner mat. Its ease in cutting to accurate fit permits perfect recess work. The American Mat Corporation, the manufacturer, points out its excellent dirt scrapeage qualities, attractive surface design and low cost. The matting is $\frac{1}{8}$" thick with ample aeration and drainage provided.

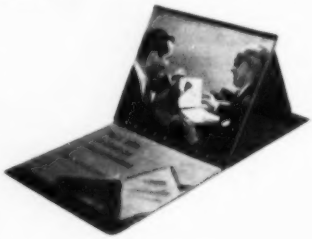


AIR FRESHENER

DESIGNED especially for use in the average size office, this ultra-violet generator provides welcome relief from stale, smoke-filled air or may be used to dispel rest room odors. Deodorizing, freshening and sanitizing of the air is through the action of two ultra-violet rays. One produces Ozone in the air which literally burns up odors by oxidization and the other is a germicidal ray to kill bacteria and germs. The manufacturers, the Midwest Naturlite Company, compare its use to replacing the air in a room with sunshine irradiated air about once every two or three minutes. Dimensions are $3\frac{1}{2}$" x $2\frac{1}{2}$" x 9".

WINDOW VENTILATOR

THIS ventilator allows plenty of fresh air to enter your office yet keeps out rain and insects and helps to reduce dust and street noises. The arrangement of the plastic air baffles prevents unhealthy drafts or strong gusts of air which scatter papers from your desk. The ventilator is constructed of aluminum and comes in two sizes, one adjustable to 34", the other to 42". Safeguard Corporation is the manufacturer.

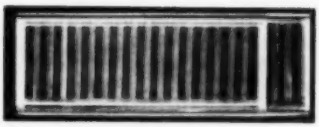


SIGHT-SELLER

THIS portfolio, designed by Remington Rand, provides a simple economical way to construct your own sales presentations. Superstrong clear acetate envelopes protect the display material. Photographs or testimonial letters, up to 11" x $8\frac{1}{2}$" in size, slip easily into place without punching or trimming. At the flip of a finger the easel is set up for your prospect's attention.

ALUMINUM TABLE

THIS general service aluminum table has been designed by The Globe-Wernicke Company for use in a lobby, library, waiting room or private office. The light in weight yet sturdy and rigid construction is of $\frac{7}{8}$" x $1\frac{1}{8}$" welded aluminum tubing. The mar-proof top, impervious to heat, alcohol or cleaning compounds, may be had in a choice of solid red, green or black color or in a tan, blue or red linen finish. The table is 30" high and the top 36" x 84".



PHONE BASE FILE

HIGH economy of space and convenience of location are combined in the phone base card file designed by the Wheeldex Manufacturing Company. As a rectangular-base telephone fits into the tubular stand, no extra desk space is required for the file. The unit carries 1,000 cards in loose-leaf arrangement.

August, 1950

To BEST'S INSURANCE NEWS

Please forward complete information and prices on the items checked.

- ☐ Phone Base File
- ☐ Window Ventilator
- ☐ Sight-Seller
- ☐ Aluminum Table
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Attention of .....

Position .....

Firm Address .....

City .....

EVALUATING INSURANCE JOBS

Administration and Rating Practices

ELIZABETH LANHAM, Ph.D.
Asst. Professor of Management,
College of Business Administration,
The University of Texas

AFTER the jobs in an organization have been rated and placed in their relative rank order, the next basic step to follow is to price the jobs or to determine what the salary structure for the company shall be. When the salary structure has been established, then the company is ready to determine its administrative policies in order to insure a fair and equitable distribution of its payroll to employees.

Although the specific rates for each job class and the bases for salary increases will vary among organizations, certain trends found in the survey of practices in insurance companies may serve as a guide to your organization.

Basic Salary Structure

As reported in the second article in this series, all the respondents stated that they grouped jobs of the same relative level of responsibility into the same class. This procedure resulted in a series of classes for each company with a number of jobs being placed into each class. Thus, the problem confronting these organizations was to determine a rate range for each class, since all companies used a rate range type of structure rather than a single rate.

In order to determine these rates, the most frequent practice found was for companies to analyze their old rates of pay and compare them with rates paid for like jobs within the locale, the industry, or both. Necessary adjustments were made in order to bring the company trend line and the trend line of the going rates into a position of relative equality. From the adjusted trend line, midpoints of the classes were determined and the minimum and maximum rate of pay for each job class established. This involved the determining of the width of the range between minimum and maximum for each job class, which varied from 20 per cent to 40 per cent for the majority of the companies. Thus, if the midpoint of a class as read off the trend line was $100 and the range width was set at 20 per cent, the minimum salary paid for the class would be $90 and the maximum would be $110.

EDITOR'S NOTE

The selection of a job evaluation system for an insurance office and the installation of the program have been covered in the first two articles of this series. The final one, to appear next month will consider the extent to which such systems are presently used. Data used in the series are based on returns from sixty-six companies, approximately equally divided between life companies and fire and casualty companies.

Policies of Administration

When the basic rate structure has been decided upon, the next problem is to determine the procedures for operating within the framework of the rate ranges. Several types of policies are discussed below:

Types of salary increases granted—Various types of salary increases are provided for in most of these organizations. These types are merit, length of service, promotion, and cost of living.

Merit increases are a universal practice since all the companies checked this type. Salary increases based on promotion are granted in 80 per cent of the firms, and 60 per cent provide for a company-wide or cost-of-living adjustment. Length of service increases are granted in 44 per cent of the organizations.

Methods used to determine the amount of salary increases—The most popular practice is to have department heads recommend the exact amount of the increase but they do so within the limitations placed on amount by company policy. Approximately 63 per cent

(Continued on page 62)

AROUND THE OFFICE

GUY FERGASON

WE HAVE received a letter asking about the practice of companies in making memberships in clubs available to junior executives. It seems that this subject is of sufficient interest and importance to deserve consideration and discussion.

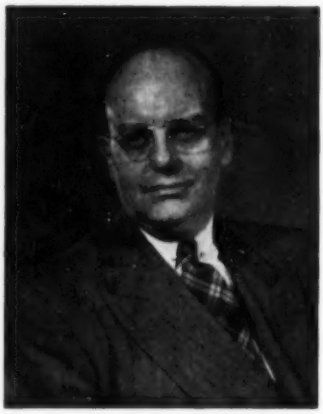
The question as to whether club memberships should be made available to executives at company expense is but part of the bigger question of executive compensation. It should not be limited to clubs alone, but should be broadened to include subscription to trade and business magazines, furnishing automobiles, traveling expense allowances, vacations and other privileges.

A Difficult Problem

Most companies face the problem of determining fair and adequate compensation for their executive staff. There used to be a time when a man reached the executive level that there was sufficient leeway in his salary so that he could develop a modest fund available for investment. His first step was to create an estate through life insurance. After attaining greater success in business he acquired a home and started in the creation of an investment fund. Paralleling this was the procurement of retirement income or annuity insurance. Every executive position remuneration was assumed to have sufficient "fat" in it to permit the executive to accumulate the "finer things in life" provided he had a sound financial plan.

During the last decade Federal income tax rates have risen so high that it is not possible to create an estate through cash savings and cash investment. Insurance is the only way by which most executives and other employees can hope to protect their families. So much of the salary goes into taxes, both direct and indirect, that many executives can do no more than meet their fixed and necessary expenses. As for luxuries, few have any financial latitude in this respect except at the sacrifice of other important projects and plans.

Most companies face a dilemma—if the executive salaries are raised, the executives benefit very little by the increase in that the tax collector takes a large part. What other course of action can be taken? Most executives must do a certain amount of entertaining as part of their positions. Rather than a plain expense account reimbursing them for necessary expenditures, club memberships are offered. If this practice is controlled and not used to excess it can serve a very useful purpose. One must always keep the income tax regulations in mind. The tax collector will not approve excessive business expense for entertainment. The practice of buying club memberships for junior executives is growing. One should face the issue fairly and squarely.



EDITOR'S NOTE

This is one of a series of monthly comments concerning office problems. The items covered in this column have been selected because of their interest to our readers. If you have a question or a comment concerning office problems, Mr. Fergason will be glad to hear from you. Your name and your company will not be divulged if your letter is commented upon in this column. The opinions expressed are those of Mr. Fergason and not necessarily those of the editorial staff.

A Valuable Privilege

Club memberships offer an executive privilege that most of the executives cannot personally afford. It is much nicer to go to a club for luncheon—it saves wear and tear on executive nerves when one doesn't have to wait in line for a table in a public restaurant. Considerable time can be saved and in the final analysis, I think expense can be saved by the practice of club memberships. As we said, there must be some control and limitation on the practice or the business expense may be disallowed.

There is one thing that most people fail to recognize in appraising executive salaries. The wear and tear on the nerves and the physical system. This is not an attempt to defend executives because ninety percent of them need no defense especially in respect to compensation. The executive's job doesn't stop at five o'clock. Considerable thought and energy go into the job after the normal working hours. Decisions at the executive level call for risk—risk in turn calls for commensurate compensation. Labor classifications in which risk is involved bear a higher rate than com-

(Continued on page 60)

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Burroughs' 60 years' experience in office mechanization assures you of sound recommendations and a microfilming application exactly suited to your specific needs. Burroughs' 22 conveniently located processing centers provide prompt developing service. And Burroughs' nationwide service organization keeps your equipment always at peak efficiency.

Your local Burroughs man can show you how Burroughs microfilming will ease the record-keeping operations in *your* business. Give him a call today, or write—

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TWO IMPORTANT NAMES IN MICROFILMING

Bell & Howell MANUFACTURER

Burroughs DISTRIBUTOR

WHEREVER THERE'S BUSINESS THERE'S

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Around the Office—from page 58

parable non-risk classifications. Risk capital ordinarily bears a higher rate than so-called safe capital. Is management any different in the risk aspects?

Furnishing cars to executives is a more debatable practice. There are many companies that furnish cars for their executive staff. This practice serves a double purpose. The cars may be used in business and part of the maintenance expense is borne by the company. Any use of the car for purely personal purposes is paid for by the individual. Roughly speaking, a car usually costs from fifty to one hundred dollars a month for gasoline, oil, maintenance, insurance, taxes and depreciation. If the original investment, insurance and part of the maintenance is paid for by the company, the executive is relieved of at least fifty dollars a month (or more) in expense. This adds to the value of the executive's indirect remuneration.

Ordinarily, companies pay for all subscriptions to business and trade magazines for their executives. This is part of their problem of "maintenance of position." Executives need to keep currently informed on business, economics, finance, current affairs and trade matters. It is much better to provide personal subscriptions for executives than to circulate these magazines among the executives.

On His Own Time

It is also advisable to have the executives turn these magazines over to the employees after they have read them. An up-to-date trade and business magazine library can be built up in this manner which can be used in training employees without added expense. Most executives are well-read individuals. Their positions require it. We think that only doctors, dentists and lawyers are required to read of current developments in their professions. The average business executive spends twelve to as much as twenty hours a week (outside of business hours) in purely business reading. In the trades, this would be called required time and would be compensated for. The executive is required to do it on his own time.

The simplification of business and accounting procedures has curtailed the practice of the "detailed expense account." More and more companies are putting their sales, executive and special employees on a per diem expense basis. Anyone who has traveled knows how expensive it is. There are many expenses incurred in traveling which cannot be properly or adequately explained in the expense statement. I have never met an executive who claimed he made money on an expense account—the contrary is true. Most of them lose money on expenses.

Rules and Regulations

The most stupid practice possible is to hedge the executives in with a lot of rules and regulations concerning expenses. It surprises me to see the amount of confidence and responsibility placed in executives concerning business affairs—they handle millions of dollars of company business—they make decisions that may produce or cost hundreds of dollars in profits. However, when expense accounts come up for consideration all kinds of regulations are applied. It would almost appear that the executives' honesty and trustworthiness are doubted. An easy way out of all this bookkeeping, auditing and receipt collection is a sufficient per diem rate which will permit adequate coverage of all traveling expense without individual accounting. Train or plane fare is additional to the per diem rate which covers only hotel, meals, tips, and incidental expenses.

We have to make executive positions more attractive in respect to pay, privileges and advantages. We cannot assume that office employees will continue to aspire to executive positions. Bear in mind that office and factory jobs have increased in attraction without the necessity for long hours. These jobs carry higher rates today than at any time, plus vacations, sick leaves, and various insurance coverages. I

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have heard any number of employees remark that they "wouldn't take the boss' job on a bet." Practically all surveys indicate that, based on the opinions of those surveyed, executives are not adequately compensated.

Compulsory Vacations

Employees' vacations are assured. They get their vacations regardless of business conditions, the volume of the work and other considerations. The executives should be required to take their vacations. Yet in actual practice many executives find it almost impossible to get away. This doesn't reflect on their willingness to delegate duties to subordinates. It reflects the conditions of the day when too many demands are made on business executives, the least of which is to defend their businesses against government attack and investigation. Read the obituary column in any daily newspaper and count the number of cardiac cases—business men in their late forties and early fifties paying the price of too much application and too little relaxation.

Every top manager should insist that each of his subordinate managers takes his vacation each year. As a matter of fact, a summer and winter vacation is not an unreasonable expectation. It would certainly keep a lot of executives from becoming "mortality statistics." But more important it would improve their attitudes toward their associates and their work.

What I have really pointed out is the desirability of giving some consideration to the junior executives. Five years after the second World War's end, we still support the highest peace time income tax rates ever levied. We are collectively being forced to rely on the government for retirement benefits and other so-called social benefits. Higher incomes only require higher tax payments with practically no benefits to the recipient. A more liberal attitude toward club memberships, traveling expenses, etc., may be the answer. There are few advantages in executive management today. I do not place club memberships, cars, and liberal vacation allowances in the category of luxuries. It's about time to take a more aggressive attitude toward business and business practices.

A Better Job

An executive can do a better job if he feels the benefits of his position. We speak of the dignity of work—we emphasize the dignity of the employees in our human relations aspects of management. The dignity of the executive staff should come up for some consideration. My ideas should not be misunderstood. From a cold practical analysis, the investment in the executive staff should pay a handsome return. If club memberships and the other advantages previously mentioned are made available to the junior executives, the cost is a deductible business expense (provided there is a reasonable application in business practice)—the executive benefits without cost, or at least with reasonable cost for his personal use of the facilities, and without the necessity of tax payment on the additional benefits. It's worth a thought, at least.

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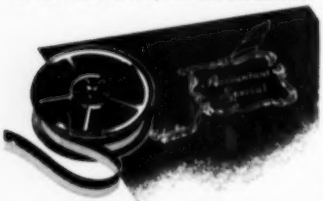

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Evaluating Jobs—from page 57

of the respondents report this procedure. In some instances, the exact amount of each increase is set by company policy but the more frequent practice appears to be to leave some leeway for the department head to exercise his own judgment. The above trend applies primarily to merit, length of service, and promotional increases.

Cost-of-living Increases

Company-wide or cost-of-living increases are not determined by department heads in these companies. In 43 per cent of the firms, the policy is to base the amount on the N.I.C.B. or the B.L.S. Index. In about the same number of companies, the amount for this type of increase is determined by the board of directors. The remaining concerns make a study of economic conditions and area rates and adjust their structure according to any needed change.

Frequency with which salary increases are granted—After the type and amount of increases are decided upon, the frequency with which increases are to be granted needs to be determined.

Merit increases are most frequently granted on an annual basis since about 80 per cent of these concerns report this practice. However, some of the companies permit new employees to receive a merit increase at the end of the first three months, six months, and thereafter on an annual basis. Several others give the first merit increase to new employees after the first six months of employment and then annually thereafter. However, not enough companies reported these variations to make the trends significant.

Approximately 38 per cent of the companies provide for length of service increases on an annual basis also. The remaining firms vary so in policy that no other trend was indicated.

Promotional increases are given most frequently at the time the promotion is made. Fifty per cent of the respondents reported this policy. Employees must wait three months after the promotion has been given before receiving an increase in 20 per cent of the companies. The remaining organizations reported a variety of practices with no particular one predominating.

The cost-of-living adjustments are usually made when the companies feel such action is warranted; over 70 per cent follow this procedure.

Methods used to adjust rates of employees who were either under- or overpaid according to the minimum or maximum levels which had been established for the job classes. Underpaid employees—No one practice dominates the field for adjusting salaries below the new job class minimums. More companies, 30 per cent, stated that they raised employees to the new minimums immediately upon adoption of the new salary structure than followed any other procedure, however. Several of the respondents waited until the regular salary review date for the employee's adjustment to be made. Some of the firms did not give the whole amount necessary to bring the rate to the minimum in one pay raise. If the amount required was relatively large, more than one step was used to make the adjustment.

Overpaid employees—The universal practice among these companies was *not* to reduce the pay of a single employee whose current rate was in excess of the new maximums set up for his job class. Attempts were made to promote employees where possible. If this could not be done, no change was made in any respect.

Although department heads usually initiate the recommendations for a salary increase for an employee, they do not have the authority to grant the increase. This authority is centralized in most companies either in a committee or in one person other than the one initiating the raise. Approximately 51 per cent of the respondents use the committee plan for reviewing salary recommendations and giving final authorization. Some of the organizations call the group a salary committee, others a personnel committee, etc.

Thirty-three per cent of the firms place the authority for granting increases in the hands of one individual. He may be a vice-president,

the personnel director, or some other executive officer. No one trend predominates.

Types of permanent records kept—The most popular method for recording salary increases among the companies is to set up an individual salary record card. This practice is followed by 74 per cent of the companies. Sample cards show, that although they are different in format, they include the same basic data—namely, job number, job title, job class, rate of pay, and reason for the increase.

Merit Rating

The discussion of the installation of a job evaluation program in the preceding articles of this series shows the methods typically followed by insurance companies in determining the relative worth of jobs. The trends indicated here have generally been in agreement with recommended practices by authorities in the field. However, these procedures do not in themselves assure that individual salaries would be affected by the quality of an employee's performance. In this connection, the Clerical Study Committee of the Life Office Management Association states:

The problem of distributing wages and salaries in an equitable manner is by no means solved by the two processes of job evaluation and job pricing. All that a job evaluation process makes possible is the determination of the relative values of the various jobs within an organization; and all that a job pricing process makes possible is the determination of the upper and lower wage and salary limits of the various classes of jobs. This makes it necessary to consider the subject of employee evaluation, quite a different process from that of job evaluation.

It is generally recognized that job evaluation and merit rating supplement each other and are both necessary if a company is to achieve equity in the distribution of its payroll.

The insurance companies participating in the survey are rating employees in recognition of the need of merit rating to supplement their

(Continued on the next page)

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job evaluation programs. Ninety-six per cent report merit rating plans currently in operation. The remaining four per cent state they are in the process now of completing such a plan.

The factors chosen by the companies to rate their employees vary rather widely since fifty-one were cited, although the meanings of a number of them appear to be similar. However, the factors listed with the greatest frequency are shown below:

Factors	Frequency of Use
1. Quantity of work	70%
2. Cooperation	54%
3. Quality of work	50%
4. Initiative	34%
5. Dependability	27%
6. Ability to learn	27%
7. Knowledge of job	27%
8. Management ability	23%
9. Attendance	23%
10. Accuracy	19%
11. Judgment	15%
12. Energy	15%
13. Application	15%
14. Potential capacity	15%
15. Reaction to emergencies and peak loads	11%
16. Interest in work	11%
17. Morale	11%

An examination of the factors reveals that some of the companies include character or personality traits along with factors to measure actual job performance on their rating sheets. These firms are, therefore, relating job performance and personal attributes and are basing their evaluation of employees on the two types of rating factors. When both types are included on a rating sheet to help determine the employee's rate of pay within the rate range, the company is placing a monetary value on these personal characteristics rather than limiting its remuneration to the employee strictly to the number of units produced. Since all employees within the same group, however, are rated on the same factors, the final result may be that their relative position in the rate range is not unduly changed by the inclusion of personality traits along with more specific measures of job performance.

Number of Factors Used

None of these organizations used less than three factors or more than fifteen to rate their employees. The array between three and fifteen is fairly evenly distributed with no particular concentration around any one number, except that there were 30 per cent which reported using five factors only.

Smyth and Murphy reported that in an analysis of 24 rating plans the average number of traits used was 7.72. The average number used in the insurance field is 8.6, which is quite close.

The trend followed in these companies is that of having more than one person rate an employee or, where that is not possible, to have the rating checked by more than one person. The most frequent practice found was that of having two raters evaluate an employee since 55 per cent of the respondents reported this number. Thirty-two per cent of the firms stated that one rater evaluated an employee's worth but this rating was subject to check by at least one other person. Three raters were used in 13 per cent of the organizations.

The majority of these insurance companies have assigned the responsibility for rating employees to the immediate supervisors of the employees, since 60 per cent of the firms report this practice. Department heads have this responsibility in 18 per cent of the organizations, and in 22 per cent, both department heads and supervisors rate employees.

More of the companies rate their employees annually than on any other basis. Fifty-six per cent of the respondents cite this practice. However, 4 per cent of this 56, add that a new employee is rated at the end of his third month of employment and then he goes on an annual basis. Another 4 per cent of the 56 state that although employees are rated annually, these ratings are reviewed semi-annually.

"But, Mr. Hawkins! I'm going to the beach right after work."

In 36 per cent of the firms, employees are rated on a semi-annual basis; in 4 per cent of the companies, employees are rated quarterly.

The remaining 4 per cent report that employees are rated only at the time a salary recommendation is made.

The most frequent use made of the employee appraisal is in helping to determine whether or not a salary increase should be granted to an employee. Sixty-five per cent of the respondents cite this use. The next two most popular uses of the scores, cited by 30 per cent of the companies in each instance, were as a basis for aiding in making promotions and for counseling with employees. Although a few other uses were reported, not enough of the companies utilized the scores in these ways to indicate any other significant trend.

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Social Security—from page 52

employees or are otherwise covered as self-employed individuals.

To those affected, it will make considerable difference because the tax on the self-employed is one and a half times the tax paid by employees—2¼ percent of earnings as against 1½ percent of wages. This higher rate is intended to make up, in part, for the lack of an employer's contribution. Under either the House definition or the Senate committee's definition, the general life insurance agent, however, will fall into the category of self-employed.

When the Social Security act was first passed, certain groups were excluded, among other reasons, because of Congressional doubts as to the administrative feasibility of operating the system for these groups. Among them were the self-employed. The doubt here concerned a practical method of measuring income from self-employment. We are confident that we have that question solved. Net income from self-employment along the line reported for income tax purposes provides a fair measure. This can be reported annually on a simple supplement to the income tax return or by adding an item for that purpose to the return itself. Unless net earnings from self-employment amount to $400 or more a year, under H.R. 6000 (both House and Senate), a self-employed individual would pay no tax and would receive no credit toward old-age and survivors insurance.

Increased Benefits

Benefits are raised materially in both House and Senate versions of H.R. 6000. The increases apply to those who are now receiving benefits as well as to those who will qualify for them in the future.

For those who are already receiving benefits, the House bill would raise them on the average by about 70 percent; the Senate, by about 85 to 90 percent. For those who will retire in the future, the House provisions would yield an increase of about 100 percent, on the average, over existing law. For future beneficiaries the Senate version would increase benefits on the average by about 110 percent for a worker who retires during the next decade. Beyond that, the margin between the two bills dwindles and eventually disappears, because the House version of H.R. 6000 provides an increase in benefits for years spent in the system (½ percent a year added to the basic benefit) while no such increase is allowed in the Senate bill.

The House would tax the first $3,600 of a worker's annual earnings; the Senate, the first $3,000. Prospectively, the House benefit formula pays in 50 percent of the first $100 of average monthly earnings and 10 percent of the next $200; the Senate pays 50 percent of the first $100 and 15 percent of the next $150.

In arriving at a worker's average monthly earnings, the Senate follows the present method of dividing all taxable earnings by all the months which have elapsed since 1936 but adds an alternative "new start" after 1950. The method adopted by the House to calculate average monthly earnings appears, at first glance, to be more liberal. Total earnings are divided by twelve times the number of years of coverage, but a reduction in benefit amounts is made under the House

Sometimes the road ahead seems narrower yet the person who does go forward often finds the way less crowded, for all too many are stopped when they think they see the vanishing point.

Will Wrightem
FIELD CORRESPONDENT

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bill by means of a "continuation factor" which relates the benefit to the time spent in and outside of the system, the higher benefit being paid to the individual who has the greater length of time in the system.

In both versions the maximum family benefit is raised from $85 to $150 but kept at no more than 80 percent of the average monthly wage, and the maximum individual benefit is raised from $10 to $25 ($20 in the Senate bill if the average monthly earnings are less than $34).

As to total disbursements under the system, the Senate committee's action would result in total payments of about $2 billion from the trust fund in the first year of operation as against $1.5 billion under the House approved bill.

Eligibility

At present there are only two ways of acquiring eligibility for retirement benefits and for dependents' and survivors' protection which go with "fully insured" status. One is to have 40 quarters of coverage. The other is to have wage credits in half of the quarters elapsing between 1936 (or the 21st anniversary of birth) and the worker's 65th birthday or death. The House has added a third method of acquiring eligibility—by having 20 quarters out of the most recent 40. This means that eligibility could be established by the equivalent of five years' wage credits earned during the ten years immediately preceding age 65 or death.

The Senate, following the recommendations of the Advisory Council on Social Security, has provided a "new start," both for eligibility and for calculating average monthly earnings. This results in a much more liberal bill, particularly for newly covered groups. The Senate provision adheres to the present requirements of "40 quarters or half of the elapsed quarters," but permits a choice of quarters elapsing after 1950 or after 1936, whichever will yield more favorable results to the beneficiary.

The House version retains the present eligibility requirements for "currently insured" status. This status protects children of the deceased worker under age 18 and widows with such children in their care, but it is not sufficient for retirement benefits. A worker who has 6 quarters of coverage out of the 13 quarters preceding his death is currently insured. The Senate bill enlarges on this definition and provides that a living wage earner also has a currently insured status if he has not less than 6 quarters of coverage during the 13 quarters ending with either the quarter in which he became entitled to an old age benefit or the quarter in which he became entitled to a primary insurance benefit under the law now in effect. This enlargement of the definition of a currently insured individual is of importance in paying benefits to dependent husbands of insured women and in providing greater protection for dependent children of women workers. The dependent husband's benefits, along with dependent widower benefits, are new types of payments provided for by the Senate bill.

In addition to insuring the risks of loss of income due to age (retirement) or the death of the family earner (survivors), the House of Representatives added a third risk

(Continued on the next page)

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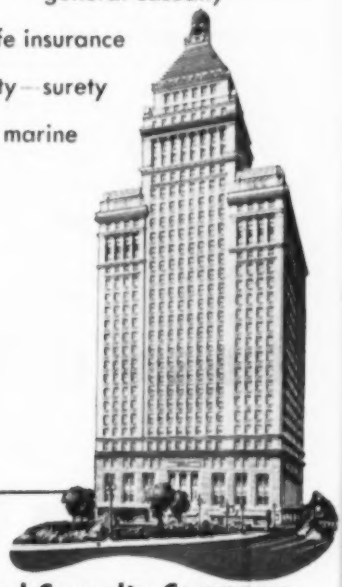

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to be insured—total and permanent disability. The House provisions on this point are quite conservative. The disability must be "medically demonstrable." The disabled individual must have had both recent and substantial employment in covered work. His benefits might be terminated if he refused to accept without good cause rehabilitation services available to him if the administrators of the law directed him to do so. No dependents' benefits would be paid to those dependent on a permanently and totally disabled beneficiary. The Senate committee rejected this proposal.

I feel that disability is a risk that should be insured. There are 2 million persons of working age in the United States who have not been able to earn a living because of extended disability. Many of them are young and have families. Their plight is even more serious than that of the aged because on the average they have greater responsibilities, even without taking into account the medical, hospital, and other costs of their disability.

The experience of insurance companies with disability insurance, particularly during the 1930s, was not too happy. But in evaluating this experience in connection with social insurance, I agree with the Advisory Council on Social Security in thinking that it is important—but not conclusive. On the other side of the ledger we have many years of successful operation of disability programs under state workmen's compensation laws and under the Veterans administration, the Railroad Retirement board and the Federal Employees Compensation act.

Other Provisions

The House bill retains the present categories of collateral beneficiaries—children, wives, widows and in the absence of any of these, dependent parents, and adds former wives divorced if they have children of the wage-earner in their care and they are being supported by the wage-earner. The Senate committee would add dependent husbands and widowers.

Lump-sum benefits would be payable on the death of every insured worker under the House version. The Senate would pay the lump-sum payments in instances where they are payable under existing law. It adds a further provision, however. If the monthly benefit payable in the month of death and in the eleven succeeding months do not equal the amount of the lump sum, the difference is paid to the wage-earner's widow or widower, as the case may be.

Both versions give wage credits of $160 a month for time spent in the military or naval service between September 16, 1940, and July 24, 1947. The House bill makes provision for appropriation of general revenues to pay the cost of this feature. The Senate charges this cost to the Old-Age and Survivors Insurance Trust fund without reimbursement.

Both versions would permit a beneficiary to earn up to $50 a

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month without suspension of benefits.

The new coverage provisions would be effective next January 1. Increased benefits would be payable for the second month following the effective date of the law.

Both versions of the bill follow the same schedule of tax rates, except that the Senate would retain the current tax of 1½ percent on employees and an equal contribution by employers through 1955. The House would increase the rate to 2 percent on each in 1951. Both provide for an initial tax rate of 2¼ percent for the self-employed.

Public Assistance and Children's Services

The House made provision for increasing the federal share of financing public assistance grants in nearly all states. This was done by a matching-formula which would require the federal government to pay 80 percent of the first $25 of average payments to the needy aged and the blind; 50 percent of the next $10 of average payments, and 33⅓ percent of the next $15. The maximum on matchable payments to any one individual was held to $50 a month. The Senate committee retained the present formula which requires the federal government to pay 75 percent of the first $20 and half of the next $30, but limited to 50 percent federal participation in expenditures for new retirement beneficiaries under old-age and survivors insurance.

In the case of aid to dependent children, the principle is the same but the arithmetic is different. The House would increase the federal share of financing the program; the Senate would not. However, the Senate would increase the maximum for matchable payments from $27 to $30 for one child in a family and from $18 to $20 a month for additional children. Also, the House would have included payments to the needy relative with whom the dependent child is living; the Senate would not.

The present public assistance program provides joint federal-state financing of money payments to the needy aged, the needy blind and dependent children. The House added a fourth category—needy persons who are totally and permanently disabled. The Senate eliminated this provision.

Both the House and Senate bills accorded special treatment to needy blind persons. Under the House bill, the state welfare agency would be permitted (not compelled) to disregard up to $50 per month of earned income in determining the need of blind persons if the state rehabilitation agency for the blind certifies this would help in their rehabilitation. Under the Senate bill, the certification of the rehabilitation agency is not required, but after June 1952, the welfare agency would be required (not merely permitted) to disregard the $50 of earned income in determining need.

The House bill authorizes an increase from $3.5 million to $7 million a year in funds authorized for grants to the States for child welfare. The Senate raises this to $12 million and also increases the annual authorization for maternal and child health from $11 million to $20 million and the authorization for services to crippled children from $7.5 million to $15 million.

The House bill authorized extension of the public assistance provisions to Puerto Rico and the Virgin Islands, though on a more limited basis than for states now eligible. The Senate has eliminated this extension.

Unlike public assistance, the grants for child health and welfare are not for money payments to individuals. These grants are made to states in order to increase their services to children.

On balance, the increase in annual cost to the federal government of the welfare provisions of H.R. 6000 as passed by the House is estimated at $275 million; the estimated cost of the Senate provisions is $45 million.

The areas of general agreement between the House and the Senate Finance committee are substantial. It is safe to predict that the eventual law which will come out of the present deliberations will mark a very great advance in our system of social security. Not that either the House or the Senate version of H.R. 6000 would complete or perfect our system. The American people and their representatives in Congress will continue to give consideration to the strengthening of our social insurance protection against such widespread hazards as unemployment, old age, disability, or illness and death. But the changes now before Congress represent significant and encouraging progress. The Federal Security agency is administratively prepared to take on this added responsibility and welcomes the strengthening of our national social security program.

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COAST TO COAST

Above Policy Limits—from page 31

cause if you will, which establishes its liability, and not a mere grouping of words seemingly beyond definition, or conclusive explanation. Therefore, our actions and failures must be our guides. It is most essential that we so conduct our investigations, policyholder contacts, negotiations for settlement, preparation for trial, and presentation of defenses so as to eliminate, insofar as is honestly possible, the assessment of excess liability against us.

Unfortunately, in this article, based on adjudicated cases, we cannot completely ignore the terminology—bad faith or negligence. We must use the words of the Court in our consideration of its particular case, even though we may well disagree with the definition furnished. This may be desirable because it should tend to focus our attention and consideration on this seemingly misuse of the words bad faith and negligence, and thus make us more cognizant of the fact that our primary consideration must be on acts or failures, not on mere words. By reference to the cases, we can accurately determine the interpretation placed on a particular set of facts by a given Court, and by such reference can, with some hope for success, build our files and chart our course of action, by acting as the Court indicates we should act, and by avoiding the failures which the Court criticizes.

It might be well to give some idea as to what the Courts have held to be bad faith or negligence. These are the acts or failures which assessed the excess liability—not the words bad faith or negligence. Bad faith has been held to consist of many things—refusal to compromise contrary to advice; failure to properly investigate cases; misrepresentation by company agent; failure to fairly conduct trial; adjuster's acts and statements; trial of case after failure to force contribution from insured; unreasonable delay in acceptance of offer; and failure of adjuster to report probability of excess verdict. Negligence has been held to consist of—among other things, failure to present available defenses; failure to investigate properly; lack of proper preparation for defense; failure to properly conduct trial of case; and failure to settle after fashion of average prudent man.

A Bona Fide Belief

It has been held that it is not bad faith if counsel for the insured refuses to settle under a bona fide belief that the action might be defeated, or the verdict kept within policy limits. *Kingan and Co. vs. Md. Cas. Co.* (65 Ind. App. 301); *City of Wakefield vs. Globe Indemnity Co.* (246 Mich. 645); *Mendota Elec. Co. vs. N. Y. Indem. Co.* (169 Minn. 377). However, in the dictum of the case of *St. Joseph Trans. and Storage Co. vs. Employers Indemn. Co.* (224 Mo. App. 221) the Court stated that if the evidence showed a case to be one which, under conceded facts, and upon settled principles, the Court would be under a duty to direct a verdict in excess of policy limits for plaintiff, and insurer refused to settle within limits, then the inclination would be to hold that the company acted in bad faith.

Some Courts hold that a failure to exercise that degree of care and diligence which a person of ordinary care, and prudence, would exercise in the management of his own business, is negligence, and liability is assessed on that ground irrespective of bad faith or fraud. *G. A. Stovers Furn. Co. vs. Am. Indem. Co.* (15 S.W. (2nd) 544—Texas). However, the view adopted or adhered to by the majority of Courts is that insurer cannot be held liable for mere negligence, but must be guilty of fraud or bad faith. That is the case of the *City of Wakefield vs. Globe Indem. Co.*—supra. Also, 71 A.L.R. 1490, wherein it is stated that the company must act with due care, but is not required to consult interests of insured in conflict with its own interests. Failure to settle on honest belief that either insured will not be held liable, or verdict will be within limits, is not an act of negligence as will assess liability against the insurer. That is only a few states.

Some apprehension has been held by insurance people that the so-called negligence rule was becoming the more prevalent one—and according to Appleman the majority rule.

These persons in their apprehension fear that we may well find ourselves confronted eventually with a majority acceptance of the New Hampshire, Texas or South Carolina rule. In that event we, of course, would be bound by a code of conduct demanding that in our considerations of the interests of our insureds we must act as would the average prudent man in the management of his own business, as well as subjugating our own considerations of our own interests. *Cavanaugh Bros. vs. General Acc. Fire and Life Assur. Corp.* (79 N.H. 186, 106 Atl. 604); *Highway Ins. Under. vs. Lufkin-Beaumont Motor Coaches* (31 C.C.H. 367); *Tiger River Pine Co. vs. Md. Caus. Co.* (163 S.C. 229). Some have feared that eventually we would be chargeable with complete responsibility for whatever occurred, almost regardless of our actions, or our attitudes, in any case wherein the verdict exceeded policy limits, after refusal to accept an offer within such limits.

Ever Alert

It is true that there might be some remote basis for such fears as evidenced by the trends of some individuals' thinking. With the constant desire on the part of some individuals, and of some Courts, to broaden our contracts, and assess even greater and greater liabilities against insurers, we must be ever alert to our fair, and honest, responsibilities so as not to give these persons any openings.

Although I do not subscribe to the thought that insurers will some day be forced to drastic measures, to protect themselves against a universal rule assessing liability against them in excess cases, yet, I do feel that we are spotlighted. We must do everything possible in an honest endeavor to protect our insureds against financial loss, and conversely do nothing making it likely that they will suffer such loss. I feel that we must be diligent, alert and honest not only as concerns our own interests, but also as concerns those of our insureds. *City of Wakefield vs. Globe Indem. Co.*—supra; *Ga. Casualty Co. vs. Mann*—supra; *Spang Baking Co. vs. Trinity Univ. Ins. Co.* (24 C.C.H. 618—Ohio).

(To be Continued)

ALL FORMS OF AUTOMOBILE INSURANCE

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Compulsory Commissions—from 35

It is interesting to note that this comment was made prior to the South-Eastern Underwriters' case where insurance was held to be interstate commerce. The same comment further points out that the present situation "contrasts unfavorably with protection against local preferences afforded other national business by the commerce clause" although, it was stated, there were "as yet no signs of an abandonment of the dogma that insurance is not commerce." With keen foresight of the problems now confronting the insurance business, the comment went on to suggest that a "federal plan of regulation" might eliminate "such local preferences" and which "superseding inconsistent state legislation, would eliminate the use of the legitimate need for regulation as an excuse for local protectionism."

Interstate Commerce

Whatever the criticisms of the Osborn case, there is no doubt that it is now controlling law unless it can be said to have been modified by the subsequent holding of the South-Eastern Underwriters' case that insurance constitutes inter-state commerce.

Immediately after the South-Eastern Underwriters' case, the Courts, both Federal and state, were confronted with a number of cases in which state regulatory powers were subjected to new attack on the ground that these in large part constituted an undue burden on interstate commerce. Similarly, various state taxing measures were impeached. This attack was carried up to the Supreme Court and on June 3, 1946 in *Robertson v. People of State of California* (328 U.S. 440—1946), the Supreme Court held that the South-Eastern decision did not invalidate the regulatory powers of the state in the field of insurance particularly since the enactment of the McCarran Act.

This Act, approved in 1945, embodied a clear declaration "that the continued regulation and taxation by the several states of the business of insurance is in the public interest" and that silence on the part of Congress "shall not be construed to impose any barrier to the regulation or taxation of such business by the several states." The act further provided that future enactments of Congress which might in general terms be applicable to insurance should not so apply unless the contrary intent of Congress be specifically shown.

The Robertson case involved a violation of certain provisions of the California Insurance Code which made it a misdemeanor to act as an agent for a nonadmitted insurer in the transaction of insurance in California or to act as an agent without a license. The appellant urged that such provisions constituted an attempt on the part of California to regulate interstate commerce in violation of the commerce clause of the Constitution in view of the holding of the Supreme Court in the South-Eastern case.

The court, in an opinion by Mr. Justice Rutledge, reviewed the provisions of the California regulatory scheme and held that such regulations were designed to protect the public from fraud, misrepresentation, incompetence and sharp practices. Such regulations were therefore deemed to fall in the category of regulations which, in the absence of contrary action by Congress, a state might enact in order to prevent fraud and to protect its citizens. The Court said that these regulations were not exclusory or discriminatory but rather that they were in accordance with the views of Congress as expressed in the McCarran Act.

It should be noted, however, that in the Robertson decision, the Court stated that the regulations then being considered could not be held "either on the face of the statute or by any showing that has been made, to be excessive for the protection of the local interest affected; or designed or effective either to discriminate against foreign or interstate insurers or to forbid or exclude their activity. Thus the balance of interest between the proper protection of local interests and the standards of the commerce clause forbidding discrimination were well recognized.

Ware v. Travelers

The particular question as to the validity of state requirements that a resident countersigning agent retain a given portion of the commission has not been specifically presented to the Supreme Court since the South-Eastern decision. The question was, however, decided by the Circuit Court of Appeals for the Ninth Circuit in the case of *Ware v. Travelers Insurance Co.* (150 F. 2d 463—1945), in which the Court

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sustained the validity of an Idaho statute requiring a resident agent to countersign policies and to retain a commission of not less than 5% of the premium. The statute applied only to foreign insurers. In reversing the District Court's decision invalidating the statute, the Circuit Court upheld it and said (150 F. 2d 463, 464):

> "According to appellees, the court below, in holding the Idaho statute in conflict with the commerce clause, relied on the decision in *United States v. South-Eastern Underwriters Ass'n* (322 U.S. 533, 64 S. Ct. 1162, 1171, 88 L. Ed. 1440). We see no good reason for the holding. The Court in the South-Eastern Underwriters Case pointed out that, for constitutional purposes, certain activities of a business may be intrastate while other phases of the same business may be interstate. 'There are,' said the Court, 'other activities which, though subject to federal regulation, are so intimately related to local welfare that, in the absence of Congressional action, they may be regulated or taxed by the states.'"

It is to be noted that in a Supreme Court decision in March, 1949 (*Daniel v. Family Security Life Insurance Co.*, 336 U.S. 220—1949), Osborn v. Ozlin was cited with apparent approval in a note as authority for the proposition that the deference of the Court to the legislative judgment was "particularly pronounced in a field as traditionally well-regulated as insurance."

The Issues Are Clear

And so we stand today. The issues of the Osborn case have not been presented to the Supreme Court since the South-Eastern Underwriters case. The issues, however, are clear. On one side we have an attempt by a state to regulate contracts pertaining to risks situated within its borders notwithstanding that such contracts are negotiated outside of its borders. Such

(Continued on the next page)

attempts are met with judicial deference to legislative judgment as to the desirability of the means to be taken to protect a local interest. Such deference is a fitting principle of self-restraint on the part of courts. On the other side we have the powerful provisions of the commerce clause of the Constitution which forbids discrimination against foreign or inter-state commerce "whether forthright or ingenious" (*Best & Co., Inc. v. Maxwell*, 311 U.S. 454, 455—1940) or to forbid or exclude the activities of foreign or inter-state insurers notwithstanding that a state may limit certain phases of that commerce.

Those in favor of compulsory division of commissions may be expected to emphasize the importance of the local interests involved and the undoubted right of the local legislature to protect that interest. The strength of such interests may be seen by the fact that in one case which involved the validity of a state tax program alleged to discriminate against foreign insurance corporations, there appeared as amici curiae for the purpose of upholding such state legislation the Attorneys General of Alabama, Indiana, Kansas, Massachusetts, Michigan, Nebraska, New York, Ohio, Oklahoma and Texas (*Prudential Insurance Co. v. Benjamin*, 328 U.S. 408—1946).

Three Courses of Action

Those opposed to such statutes have three courses of action: to seek relief in the legislature of states with such statutes so by legislative enactment there may be restored the principle of division of commissions upon a negotiated basis; to invite Federal control and attempt to secure relief through such Federal control; and to bring a further court action to test the validity of such statutes in the light of the holding in the South-Eastern Underwriters case and to attempt to show that in fact inter-state commerce is being inflicted with a burden which is excessive and discriminatory and far out of proportion to the protection of the local interests sought so to be protected.

It will be in connection with this last course, if that eventuality should occur, that the advocates for those seeking to invalidate such legislation will re-echo the famous words of Mr. Justice Cardozo in the New York milk control case (*Baldwin et al v. Seelig, Inc.*, 294 U.S. 511—1935), where the Supreme Court struck down a New York statute prohibiting the sale of milk produced outside of New York at a price less than the minimum price for milk produced within New York. It was sought to justify this statute on the grounds of the necessity of protecting the public health which in turn might be put in jeopardy, it was claimed, if the farmers of New York were unable to earn a living income. The economic motive was alleged to have been entirely "secondary and subordinate," and Justice Cardozo said:

> "On that assumption we are asked to say that intervention will be upheld as a valid exercise by the state of its internal police power, though there is an incidental obstruction to commerce between one state and another. This would be to eat up the rule under the guise of an exception. * * * Let such an exception be admitted, and all that a state will have to do * * * is to say that its farmers and merchants and workmen must be protected against competition from without, lest they go upon the poor relief lists or perish altogether. To give entrance to that excuse would be to invite a speedy end of our national solidarity. The Constitution was framed under the dominion of a political philosophy less parochial in range. It was framed upon the theory that the peoples of the several states must sink or swim together, and that in the long run prosperity and salvation are in union and not division."

OLIVER WENDELL HOLMES *said:*

"Many ideas grow better when transplanted into another mind—"

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MAN OF THE YEAR

V. J. SKUTT, president of Mutual Benefit Health & Accident Association of Omaha was named the health and accident insurance "Man of the Year" at the annual convention of the International Accident and Health Underwriters Association.

The award is officially known as the Harold R. Gordon Memorial Award and is presented annually by the Chicago Chapter for outstanding achievement for the industry.

Mr. Skutt is the second insurance executive to receive the award. E. H. O'Connor, managing director of the Insurance Economic Society, was the first recipient of the award which was presented a year ago.

HOME OFFICE AND FIELD APPOINTMENTS

Aetna (Fire) Group: *Edward B. Smoot,* formerly field manager in charge of the Richmond, Va., office of the Century Indemnity Co., has been promoted to resident manager in full charge of all the group's operations in the state of Va. *Richard B. Elliott* has resigned as state agent in Va. to join a local agency.

* * *

American-Associated Cos.: The following branch managers have been given the title of resident vice presidents in their respective offices: *E. J. Aurada,* Atlanta; *R. E. Crowell,* Providence; *W. S. Ewald,* Detroit; *Wm. F. Koch,* Indianapolis; *W. J. McCord,* Kansas City; *Thomas B. McDonough,* Des Moines; *Donald P. McKay,* Philadelphia; *C. E. Mavis,* Buffalo; *M. E. Moore,* New Orleans; *N. J. Perrin,* Minneapolis; *Malcolm R. Smith,* Houston, and *John T. Stafford,* Baltimore.

At St. Louis, branch manager *Louis H. Antoine* has been elected assistant vice president.

A new branch office has been established in Toronto, Canada, with *H. L. Kearns* as resident vice president for Toronto and manager for all Canadian operations. *J. B. Humphrey,* formerly in charge of the Spokane service office, has joined the staff of the Toronto branch as assistant branch manager. *R. G. Mann* continues as claims manager in Canada and *J. C. Townsend* of the Toronto claims staff has been promoted to assistant claims manager for the new branch.

* * *

American Casualty Cos.: A new service office has been opened at 460 Market St., Williamsport, Pa., with *Richard W. Burian,* formerly with the Allentown office, in charge of all production and underwriting matters. *J. Olee Nissley* has been appointed claims manager.

The American Casualty Company announced the following: *Nelson C. Currier* has been named manager of the home office accident and health claim division. A new branch office has been opened in the Metcalf Building, Orlando, Fla., with *Paul Gartside,* formerly a field representative in Fla. as resident manager. Mr. Gartside will be assisted by *Robert Fowler,* who has been transferred from the Atlanta office to take charge of underwriting. *Robert R. Koch* is claims manager.

Arthur H. Seffing has been made superintendent of the inland marine, transportation and all risk department of the home office of The American Aviation & General Ins. Co.

* * *

American Insurance Group: *Edmund M. Neary,* formerly special agent in the Camden, N. J., office, has been made field supervisor in the home office. Special agent *Oscar H. Linderoth* succeeds Mr. Neary in Camden.

William Bauer, Jr., formerly marine special agent for N. C., has been appointed special agent for N. C. and Va. to assist in the production of inland marine and burglary business in those territories. *Kenneth W. Arnold* has been appointed staff adjuster in the Lansing, Mich., field office. Special agent *Edwin Stewart, Jr.,* has been transferred from Baltimore to the Asbury Park, N. J. office.

Two new field offices have been opened —one in the Metropolitan Building, Flint, Mich., under the supervision of state agent *Raymond L. Jennings;* the other at 1119 Atlantic Ave., Atlantic City, N. J., with special agent *Milton C. Voight* in charge.

* * *

American Surety Group: *Richard T. Mitchell* has been promoted from assistant manager to manager of the Rochester branch office succeeding *J. W. Wood,* who has been transferred to Jacksonville, Fla., in charge of sales promotion for Jacksonville and the surrounding area.

The following special agents have been appointed: *Benjamin C. Williams* at St. Louis; *Burcher V. L. Sheard* at Syracuse; *James W. Fleshman* at Washington; *Frederick Rolfsmeyer* at Milwaukee; *John F. Holmes* at Buffalo; *Robert B. Simmons* and *Richard H. Cornwall* at the Louisville branch office.

Walter P. Livingston and *Robert K. Smith* have joined the staff at the Newark branch office as junior casualty underwriters. *Chester G. Laws,* formerly a casualty underwriter in the Los Angeles branch office, has been appointed a special agent at the same office.

* * *

American Title: *Freeland R. Cameron* has joined this company as vice president and controller in charge of insurance accounting and statistical functions. General accounting functions, including mortgage loan department and title insurance, are under the supervision of *J. O. Hall,* vice president and treasurer. Mr. Cameron was formerly vice president and general manager of the Public National Ins. Co.

* * *

Atlantic Cos.: *James W. Kennedy,* formerly in charge of inland marine business in the N. Y. office of the Providence Washington Ins. Co., has joined these companies as secretary in charge of inland marine underwriting.

* * *

Bonito & Co., Alan H.: *John F. Van Deusen,* who is in charge of the fire and automobile departments, has been appointed assistant secretary of this N. Y. firm of insurance brokers.

* * *

Brown Co., Scott N.: *Hubert A. Pless, Jr.,* who formerly was with the General Adjustment Bureau, has joined this Chattanooga, Tenn., agency.

* * *

Employers' Group: *Joseph H. Johnson, Michael J. Hally, Roger G. Whear* and *Robert W. Eager* have been made assistant secretaries.

* * *

Farm Bureau Ins. Cos.: *Ralph E. Gregory* has been named director of the fiscal reports and procedures department, while *Richard E. Liming* has been promoted to head the fiscal analysis and reports division and *Logan C. Kennedy* to be manager of the fiscal planning and procedures division. Mr. Gregory has been in charge of audits of the companies' accounts, Mr. Liming has been in planning operations and in charts and graphs analysis, while Mr. Kennedy, who recently joined the companies, was formerly with the Allstate Ins. Co.

* * *

Fireman's Fund Group: *Dennis D. Riley,* formerly supervisor of inland marine underwriting, southern Cal. department, has been appointed a marine special agent for Colo., Wyo. and N. M. *Ben C. Doherty* has been named special agent in the northeast Texas territory. *William R. Gibbon* has been appointed special agent in the southern and central Ohio territory.

(Continued on the next page)

Field Appointments—Continued

In the eastern fire department *Clemens A. Fortman*, former special agent, has been named superintendent of production; special agents *Philemon Hoadley* and *John B. Kidder* have been assigned as state agents in N. J. and *Christian Young* and *John F. Heavey* have been newly appointed special agents.

A special division in the N. Y. metropolitan branch office of the Fireman's Fund Indemnity Co. has been established. *Russell F. Morton*, formerly chief underwriter of fidelity and surety business in the eastern department, has been appointed superintendent of the newly created division.

A multiple line claim department has been opened in the Grand Rapids, Mich., service office.

* * *

General Accident Group: *John S. Warren*, formerly assistant superintendent of the agency department in the home office, has been made manager of the midwest department in Chicago. *George C. Bland* succeeds Mr. Warren in the home office agency department.

Hinchman-Rolph & Landis have been appointed managing general agents for the state of Ore. for the Potomac Ins. Co. This firm also represents the Potomac in the state of Cal.

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Kemper & Co., James: This insurance agency has moved to new quarters in the Kemper Insurance Bldg., Chicago, Ill.

* * *

Hartford Accident: New claim offices have been opened at the Central Bank Bldg., Lexington, Ky. (*Lester E. Garland* in charge); Weber Bldg., Lake Charles, La. (*Francis E. Lehner* in Charge); Busch Bldg., Lansing, Mich. (*Edward B. Spence* in charge) and the Ross Bldg., Hattiesburg, Miss. (*Lawrence C. Franklin* in charge).

* * *

Home Insurance: *H. H. Chittenden* has been promoted from resident secretary to resident vice president in the state of Ohio. Effective Jan. 1, 1951 he will relinquish his active duties in favor of *R. W. Nelson*, who will become manager of that state, but will continue to act in an advisory capacity. *Robert L. Engle*, state agent, has been assigned to the supervision of the farm department for the state with the title of office manager. *Sylvester E. Duley*, associate state agent, has been named state agent.

Frank J. Welch, formerly associate state agent for the western department in Ind., has been named manager of the loss department in the Dallas, Texas, office. He will serve until Oct. 1 in association with manager *Henry V. Christiani* at which time Mr. Christiani will assume the duties of assistant general adjuster in charge of the loss department of the Philadelphia office. Conn. operations have been consolidated with *Henry J. Steeneck* as manager for the state.

Sidney M. Burnett has been promoted from trainee to special agent at the Nashville, Tenn., office. *Wardlaw M. Watson* has been promoted from a trainee to special agent at the Birmingham, Ala., office.

Upon completion about the first of next year of the company's new building on California St., San Francisco, Cal., *George E. Stroub*, vice president and secretary, will be transferred from the N. Y. home office to San Francisco. He will continue his management of all Pacific Coast and Rocky Mountain States, but will relinquish his present duties concerning the Canadian and foreign departments.

* * *

Insurance of N. A. Cos.: The Nashville, Tenn., field office has been expanded to the capacity of a service office and is now on the 6th floor of the American Trust Bldg.

* * *

London Assurance: *Chris F. Schnier* has been appointed to the newly created post of chief examiner of this company and the Manhattan Fire & Marine Ins. Co.

* * *

Marine Office of America: *George Inselman* has been appointed assistant manager. *William F. Allison*, formerly with the Baltimore service office, has been named special agent for New York State.

Maryland Casualty: *Duke C. Dorney, Jr.*, resident vice president in charge of the Boston office, will be transferred to the home office on Sept. 1 as vice president in charge of casualty operations. He succeeds the late *Arthur B. Nickerson*. *Henry W. Webster*, manager of the bonding department, has been appointed resident vice president of the Boston office succeeding Mr. Dorney.

* * *

Merchants Mutual Casualty: *Robert W. Moree* has been appointed supervisor of agents in states other than New England.

* * *

Michigan Mutual Liability: *Fred M. Linder, Jr.*, has been made resident vice president of the eastern division. He was formerly assistant to *H. W. Gibson*, the former eastern manager who recently died.

* * *

Mutual Boiler: A new office has been opened at 2322 N. Charles St., Baltimore, Md., staffed with *W. J. Withers* as resident inspector and *Edward Daughtry*, previously inspection engineer at the Toronto, Ontario, office.

* * *

National of Hartford Group: *James F. Decker*, formerly with the Kentucky Inspection Bureau, has been appointed special agent in eastern Mo.

A service office has been opened in the Miners National Bank, Wilkes-Barre, Pa., under the supervision of special agent *C. A. Butler*.

* * *

National Surety: *N. J. L. Pieper* has been promoted from manager of claims for National Surety and National Surety Marine Ins. Corp. to vice president. *Robert W. Schmitt*, previously assistant manager of the White Plains, N. Y., office, has been named manager of the Indianapolis service office succeeding *W. Emerson Smith*, who has joined the Employers Reinsurance Corp. at Kansas City, Mo.

* * *

Providence Washington: *Walter Perry, Jr.*, who has been assistant secretary of the American Ins. Co., has been elected assistant secretary of this group to handle investments. *Roy E. Carr*, formerly manager of the field control department, has been made general manager of the N. Y. office. The office has been moved to 59 John St.

* * *

Reliance Service Bureau: A new office has been opened by this adjusting firm in the Standard Life Bldg., Pittsburgh, Pa. *John A. Hoffman*, formerly manager of the Newark office, will be in charge. *Marcus Grantham* has been transferred from the N. Y. office to manage the Newark office.

(Continued on page 82)

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•

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C-O-TWO ANNOUNCES

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MONTHLY FIRE LOSSES

FIRE destruction in the United States during June is estimated at $57,116,000, an increase of 10.3 per cent over losses during the same month a year ago by the National Board of Fire Underwriters. This was the greatest fire loss recorded for the month of June during the past 21 years.

This was the fifth month this year during which fire losses were higher than for the same month of 1949. However, the June, 1950 total represented a decrease of 2.8 per cent from the losses of $58,765,000 reported in May, 1950.

Losses for the first six months of 1950 reached $367,117,000, an increase of $18,310,000, or 5.2 per cent, over the fire destruction during the same period of 1949.

For the 12 month period ending June 30, 1950, losses totaled an estimated $685,846,000. This is an increase of 1.8 per cent over losses of $673,441,000 recorded for the 12 months ending June 30, 1949.

These reported losses under fire insurance policies include an allowance for uninsured and unreported losses.

A comparative table of fire losses over the past twenty-four months follows:

	1948	1949
July	$50,955,000	$49,592,000
August	49,543,000	50,150,000
September	49,945,000	49,678,000
October	51,845,000	48,914,000
November	52,949,000	53,116,000
December	69,397,000	67,279,000
	1949	**1950**
January	57,926,000	58,823,000
February	62,424,000	58,340,000
March	67,218,000	72,468,000
April	55,290,000	61,605,000
May	54,162,000	58,765,000
June	51,787,000	57,116,000
Totals	$673,441,000	$685,846,000

CANADIAN FIRE LOSSES UP SHARPLY

CANADIAN fire losses are reported as sharply increased over last year reflecting conflagrations in Rimouski and Cabano, Quebec. May losses are estimated at $35,500,000 compared with $2,450,000 for May, 1949. Losses during the first five months of the year are set at about $58,800,000 which compares with losses of $28,700,000 during the comparable period of 1949.

Safety & FIRE CONTROL

IN INDUSTRY • ON THE HIGHWAY • IN THE HOME

THE FIFTH HORSEMAN

BERNADETTE CLAUS

EDITOR'S NOTE

This essay was written by a sixteen year old girl, a student at the Academy of Mary Immaculate, Wichita Falls, Texas. It was the winner of a contest sponsored by the North Texas Field Club of the Texas Fire Prevention Association.

HELLO America! I am your friend and foe—the Fifth Horseman. You are all acquainted with me, I'm sure. I cook your food, give you light by generating electricity, make modern industry possible, kill harmful bacteria, furnish power for transportation and keep you warm. I don't want to brag, but sorrowfully regret to say that besides all this good, I cause many accidents, misfortunes, and deaths. I have destroyed many of your forests with my flaming fingers, killed many innocent and careless people with my scorching embrace, and licked up many buildings, blocks, and even cities within hours. Yes,—you probably have guessed by now. "Fifth Horseman" is only my nickname—I am Fire!

Friend—Not Foe

Please don't be hasty to condemn me—let me explain. I am not really the plundering red death riding through the night like a crimson phantom seeking to destroy, crush, and kill as I am pictured on posters! I want to be your friend, not your foe. I want to be useful, not destructive. It is you, the people of America, that transform me into one of your worst enemies. I, Fire, am helpless in your hands. Am I to blame when a forest becomes a charred desert of ashes and burnt black trees—just because some careless individual tossed me on some dry leaves?

Do you think I enjoy being the center of attraction for screaming sirens, wailing mothers, hysterical victims, and fighting firemen—just because some mother didn't place the matches out of the range of her small child? Do you think I take pride or glee in galloping through business buildings, homes, hospitals, and schools, leaving them but charcoal skeletons which are reminiscences of the happiness they once contained and the beauty they once possessed? Do you imagine I glory in suffocating people with my smoky breath or burning them with my flaming torch? Do you think I want to deprive civilization of forests which prevent erosion of the land and furnish people with lumber for furniture, fuel, and many other important things?

You Do It

No,—I *don't* enjoy it! I do it because you turn my usefulness into a weapon of destruction. Thoughtless people treat me carelessly. It is they that cast aside a burning cigarette, a glowing match, or fail to repair faulty electrical wiring, or defective flues. They forget to clean out their rubbish from the attic; they smoke in bed; and leave flammable products stored in their homes. Again, it is they that could prevent me from being such a menace to mankind if they would but heed a few sensible precautions to prevent destructive fire.

I, the Fifth Horseman, burn 250,000 individual homes annually, because of your carelessness. Statistics show that I destroy about 49,500 stores; 30,000 factories; 54,000 apartment houses; 27,000 garages; 10,000 hotels; 12,000 restaurants; 2600 churches; 2400 schools; 1200 hospitals—every year. Last year I rode 800,000 times destroying more than half a billion dollars worth of property; because of me 10,000 lives were taken. That was my 1949 record. What shall my 1950 record score? Yes, citizens of America, it is up to you! Shall I be your friend or foe?

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Field Appointments—from page 79

Retail Credit Co.: New branch offices have been opened at 1603 Capitol Avenue, Cheyenne, Wyo. (*C. R. Riggs*, manager) and 102 Durham Street, Sudbury, Ont., Canada (*K. C. Foster*, manager).

* * *

Royal-Liverpool Group: *Ray Smith*, formerly superintendent of the accident and health department, has been named superintendent of accident and health production. Succeeding him as superintendent of the department is *Peter J. Burns*, who has been acting superintendent. *Hugh Clarkson* has been appointed assistant superintendent. *Ian W. Robertson* has been appointed assistant manager of the compensation and liability department, succeeding *A. F. Seeley*, resigned. *E. J. Norstrand* has been promoted to assistant superintendent of the special risks department.

E. T. Kyllo has been appointed assistant comptroller in charge of the statistical and tabulating departments succeeding *Farrell Oliff*, who is convalescing from a serious illness and who will assume new duties upon his return. *J. I. Murphy* replaces Mr. Kyllo as superintendent of the methods and planning department.

The New Jersey regional office has been moved from 744 Broad St., Newark, to 91 S. Harrison St., East Orange.

* * *

Security-Connecticut Cos.: *George F. Vanderhule* has been made special agent in Colo., Wyo. and N. M. *James S. Siddall* has been appointed special agent for the state of Mo. *Neil F. Holmgren* has been appointed inland marine special agent for the New England States.

* * *

Standard of Detroit Group: *L. Gilbert Clark*, formerly supervisor of fire and marine operations in the N. J. and Philadelphia areas, has been named manager of the fire and marine department of the N. J. branch. *Carl E. Yorton* has been named manager of the casualty and property department and *Edward G. Martin* production manager at the Buffalo branch. Mr. Yorton has been office manager at the branch and Mr. Martin a field representative.

* * *

Sterling Insurance: A new eastern Pennsylvania agency has been established at 121 S. Broad St., Philadelphia. *Daniel D. Fox*, *Jack I. Lewis* and *David M. Rudolph* have been appointed general agents and will conduct the agency.

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Travelers: *Lewis V. Irvine*, CPCU, an instructor in fidelity and surety lines in the home office school, has been promoted to the post of supervisor of agency field service—casualty, fidelity and surety and fire and marine lines. He succeeds *John H. Eglof*, recently retired. He will direct the activities of the home office casualty, fire and marine school. *James A. Hall* has been promoted from assistant agency secretary to agency secretary succeeding *Walter E. Mallory*, retired.

* * *

Trinity Universal: *Herbert F. Huch*, formerly manager of the Fidelity & Deposit Company's office associated with the Conklin, Price & Webb general agency of Chicago, has been elected vice president in charge of the home office fidelity and surety department.

* * *

U. S. Fidelity & Guaranty: *Walter J. Jeffery* has been promoted from assistant manager to manager of the Chicago branch office.

* * *

Wolverine: *Don Jones* has been made field supervisor and *Roger Van Twisk* placed in charge of underwriting for Minn., S. D. and Iowa. Mr. Jones was formerly with the National of Hartford Group, while Mr. Van Twisk was formerly with the Prudential Insurance Company's mortgage loan division in Des Moines.

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ASSOCIATION NOTES

American Foreign Insurance Ass'n: The Boston Ins. Co. has joined this association, bringing the membership to twenty-six.

* * *

American Internat'l Underwriters Corp.: Vice president *R. A. Kreulen* has been appointed marine manager with over-all supervision of the overseas marine activities of the corporation. He succeeds *Fred Maccabe*, recently elected president of the American International Marine Agency.

* * *

Association of Cas. & Surety Cos.: The American Ins. Co. and the Springfield Fire & Marine Ins. Co. have joined this association, bringing the membership to an all-time high of 81 companies.

* * *

Bureau of A. & H. Underwriters: The services of this organization have been extended to include the field of group disability insurance. Studies on the subject will be conducted and information disseminated.

* * *

Excess Reinsurance Association: Four additional companies have become subscribers to this association. They are: The Automobile Ins. Co. of Hartford, Great American Ins. Co., Hartford Fire Ins. Co. and National Fire Ins. Co. of Hartford. This brings the number of subscribers to twenty-three.

* * *

General Adjustment Bureau: *Dana C. McLendon*, formerly senior adjuster at the Albany, Ga., office, has been appointed manager of the Rome, Ga., branch succeeding *John Rooney, Jr.*, who resigned to enter the real estate business in Rome. *Raymond P. Tighe*, formerly of the Buffalo office, has been made manager of the Allentown, Pa., branch succeeding *J. B. Dooley*, who has been appointed assistant manager of the Baltimore branch office. *Drew C. Briner* has been promoted from assistant manager to manager of the Newark branch office succeeding *William T. Murphy*. *George D. Bunting* has been promoted from senior fire adjuster to assistant branch manager of the Washington, D. C., office.

* * *

Illinois Insurance Department: *J. Edward Day*, who has been acting as Governor Stevenson's Administrative Assistant, has been named assistant director of the department.

* * *

International Ass'n of A. & H. Undrs.: Officers elected for the forthcoming year are: President, *John B. Lambert*, Cleveland; vice president, *Carl A. Ernst*, St. Paul and treasurer, *Charles E. Rea*, Toronto.

* * *

Mutual Fire Ins. Ass'n of New England: The following officers have been elected to serve for 1950-51: President, *Harold K. Bartlett*, president, Traders & Mechanics, Lowell, Mass.; 1st vice president, *Edward C. Nichols*, senior vice president, Merrimack & Cambridge, Andover, Mass.; 2nd vice president, *Clifford A. Peterson*, president, Merchants & Farmers, Worcester, Mass.; secretary-treasurer, *Edward D. Sirois* (re-elected); and assistant secretary, *Ethel M. Pratt* (re-elected).

* * *

National Ass'n of Independent Ins. Adj.: *Robert M. Hill*, Detroit, has been elected president to succeed *Lester M. Kizer*, Waco, Texas, and *John D. C. Roane*, Baltimore, was elected executive vice president. Re-elected are: *I. T. Szwain*, Evansville, Ind., executive secretary-treasurer, and *Maxine Lear*, Chicago, assistant secretary-treasurer in charge of the headquarters office of the association.

The following firms have become members of this association: Van Doren & Kellstrom, Klamath Falls, Ore.; F. R. Livermore & Co., Phoenix, Ariz.; Light Adjustment Co., Little Rock, Ark.; O. R. Dawson, Charleston, W. Va.; Texas Ins. Claims Service, Dallas, Texas; Eugene H. Miazza, New Orleans, La.; Kenneth Livaudais, Lafayette, La.; and Tolbert-Barron-Lowenhaupt, El Paso, Texas.

National Association of Ins. Agents: *Donald W. Perm, Jr.*, formerly assistant secretary of the Great American Indemnity Co., has been appointed assistant secretary.

* * *

National Board of Fire Underwriters: *John H. Arnold*, who has been an engineer in the N. Y. office, has been appointed assistant chief engineer in charge of the Chicago office. He succeeds *Col. Clarence Goldsmith*, retired.

* * *

National Bureau of Casualty Undrs.: The five fire members of the Hartford Group and the Springfield Fire & Marine Ins. Co. have joined this association.

* * *

Risk Research Institute: Officers for the forthcoming year are: President, *E. L. Clark*, J. C. Penney; 1st vice president, *R. E. Kelley*, Ebasco Services, Inc.; 2nd vice president, *Peter Drake*, W. T. Grant Co.; secretary, *W. D. McGuinness*, The Flintkote Co. and treasurer, *C. H. Rice*, The Babcock & Wilcox Co.

* * *

Surety Association of America: The Springfield Fire & Marine Ins. Co. and the Transportation Ins. Co., fire member of the Continental Casualty Group, have joined this association.

* * *

Surety Managers' Ass'n of the City of N. Y.: *John P. Madigan*, assistant manager of the New York office of the Maryland Casualty Co., has been elected president succeeding the late *James R. Henry*, Travelers Indemnity Co.

* * *

U. S. Aviation Underwriters: *Richard S. Anderson*, vice president and chief underwriter, has been elected a director. *Henry N. Beers* has been made a vice president; *Louis H. Hamel*, assistant treasurer, and *Caspar S. Whitner, Jr.*, resident vice president at Atlanta.

STATEMENT AT THE CLOSE OF BUSINESS DECEMBER 31, 1949, AS REPORTED TO INSURANCE DEPARTMENT, STATE OF NEW YORK

NATIONAL RETAILERS *financial statement*

Bonds on amortized basis. No bonds in default as to principal or interest. Stocks at book.

ASSETS

Cash in banks and office	$ 824,321.91
U.S. Government obligations due 1950	1,583,312.20
U.S. Government bonds	3,949,412.09
Canadian bonds	85,454.12
Public utility and other bonds	840,976.74
Stocks	342,394.13
First mortgage loans on real estate	114,582.69
Real estate (including company buildings)	35,000.00
Premiums in transmission	525,921.99
Accrued interest and other assets	288,929.91
TOTAL ADMITTED ASSETS	$8,590,305.78

LIABILITIES

Reserve for unadjusted losses		$ 574,902.00
Reserve for unearned premiums		5,068,308.00
Reserve for taxes, expenses and other liabilities		619,994.72
Reserve for dividends to policyholders		577,101.06
Reserve for contingencies (voluntary)		*250,000.00*
TOTAL LIABILITIES AND RESERVES		$7,090,305.78
Guaranty fund	$ 500,000.00	
Surplus	1,000,000.00	
SURPLUS TO POLICYHOLDERS		1,500,000.00
TOTAL		$8,590,305.78

Securities carried at $404,006.92 in the above statement are deposited as required by law.

JAMES S. KEMPER
President and Chairman

EXECUTIVE OFFICES
7450 SHERIDAN ROAD
CHICAGO 26

HOME OFFICE
GLEN COVE, N. Y.

EXCERPTS FROM THE CHAIRMAN'S MESSAGE TO POLICYHOLDER-OWNERS

The financial structure of National Retailers was strengthened still further. The year's operations produced such substantial gains as:

$416,867.46 in premium writings to $5,779,545.58.

$250,000.00 in policyholders' surplus to $1,500,000.00.

$1,181,962.28 in assets to $8,590,305.78.

In spite of high standards for selection of business, premium writings increased 7.77 per cent. Dividends to policyholders amounted to $857,696.51.

Operating expenses were 40.1 per cent compared to 36.2 per cent in 1948. A compensatory feature was the decrease in loss ratio from 42.5 per cent to 32.9 per cent. The over-all result was the best in the history of your company.

The continentwide facilities of your company are available to every policyholder wherever he may be. It is common to have policyholders report unusual attention received from our representatives when they have been away from home and need prompt and efficient help. Policyholders under broad form insurance such as automobile, personal property floater, jewelry, fur, yacht, aircraft and similar coverages appreciate these far-flung services in time of emergency.

NATIONAL RETAILERS MUTUAL INSURANCE COMPANY

QUIZ of the MONTH

The following questions and answers are from the examination for the General Insurance Educational Course given at the School of Insurance of the Insurance Society of New York. Additional questions on this subject appeared in the July issue.

5. The General Manufacturing Corporation, a client of yours, is advised that they will have a strike at the plant and that the strike date is for the 1st of June. He seeks your advice as to the type of coverage which he should have to cover any risks involved in the strike. After you explain it to him, he immediately asks you to bind it and cancel it on the 1st of July.

Outline the coverages which he will need, indicating the method of underwriting for the types of coverages which you suggest.

Briefly, he should carry a riot and civil commotion policy (R CC), and have vandalism and malicious mischief added to his fire policy (policies). Since a strike is threatened, for all practical purposes, this is a very poor way to write the lines. If you could find a company to accept the business, they would be entitled to three times the rate, but the insured cannot cancel it right after the strike, but must keep the policy for a minimum of 90 days.

6. The town of Oakdale revolves around the Skinner factory which manufactures automobile parts and accessories. The corporation affords recreational facilities for the 5,000 employees in a building which contains a gymnasium, bowling alleys and a library and is located across the street from the plant. Skinner's maintains a retail store in town, which also operates a service station where parts can be installed. The Ohio Eastern Railroad has constructed a spur for delivery of shipments directly to the rear of the factory. The company has erected a model community of 2,000 dwellings which are leased to employees in order of seniority. Construction of additional dwellings is in the blueprint stage pending awarding of the contract.

(a) You have just been hired as insurance manager for Skinner's. Show how you would evaluate insurance needs, giving hazards and individual policies which will afford protection.

(b) Having done this, you call in an agent to place the business. Outline the reasons he might give you for choosing a comprehensive general liability policy, rather than the individual contracts.

(c) Outline coverage you would obtain for hazards which are not covered by the comprehensive general liability policy.

NOTE: Restrict your answer to hazards which would be covered by casualty insurance.

(a) (i) Workmen's compensation policy. Protect Skinner for his obligation under the workmen's compensation act of the state. This policy to apply to all employees of Skinner whether plant employees, store employees, gas station employees or other employees.

(ii) O. L. & T. public liability. This would apply to protect Skinner for his legal liability as a result of the ownership, maintenance or use of the building used for recreational facilities, the retail store and the dwellings owned by the insured and rented to employees. If the insured (Skinner) owns the land on which the additional dwellings are to be built, the policy should also cover this land and any other vacant land owned by Skinner.

(iii) M. & C. public liability. This would apply to protect Skinner for his legal liability as a result of the ownership, maintenance or use of the factory.

(iv) O. & C. P. public liability. This would apply to the operations of any independent contractors. The problem does not clearly set forth any such relationship so the following hazards are set up on assumptions.

Assuming the preparation of plans for the additional dwellings is being done by an independent architect, the policy would cover Skinner's liability for the architect's operations.

Assuming the maintenance of the existing dwellings may be done at least partially by independent contractors, the policy would cover the insured's (Skinner's) liability for the contractors' operations.

Assuming a part of the insured's products may be manufactured by others under contract, the policy would cover Skinner's liability for the contractor's operations.

(v) Elevator liability. No mention is made of an elevator in the factory; if any is involved, a policy providing coverage for the insured's liability should be purchased. This policy should be extended to include collision coverage to cover damage to property of others being moved in the elevator.

(vi) Products liability. This policy is to cover the insured's liability for accidents which may arise out of the sale or use of the insured's products after possession of the product is relinquished to others and away from the insured's premises. This policy will also cover the liability of the insured for the consumption, sale or use of any product sold in the retail store.

(Continued on the next page)

Quiz of the Month—Continued

(vii) Contractual liability. Without doubt the railroad required an agreement with Skinner before the side track was put in. These agreements, practically without exception, have a clause passing a contractual liability on to the insured. This policy would cover the liability assumed by the insured in the side track agreement.

(viii) Automobile garage liability. This policy is to protect the insured for the premises hazard as well as the automobile hazards of the service station.

(ix) Automobile liability. While no statement is made as respects the ownership of automobiles by Skinner, it can be assumed he owns some and the liability as a result of the ownership, maintenance or use should be insured.

(x) Hired automobile liability. To protect the insured for his liability as a result of the use of any hired automobiles.

(xi) Non-ownership automobile liability. To protect the insured for his liability as the result of the use of automobiles not owned or hired by him.

(xii) Open stock burglary. To protect the insured for loss of stock from the factory, recreation building, store or service station.

(xiii) Safe burglary insurance. To protect the insured for burglary loss from any safe which he may have. (Assuming there must be one.)

(xiv) Inside and outside holdup. To protect the insured for theft of money from any custodian.

(xv) Other coverages which are written by casualty companies, but are not considered as real casualty business, such as group accident and health or fidelity bonds, have not been considered in this answer, as it was assumed they were not desired.

All liability policies to include property damage liability as well as bodily injury liability and coverage to include occurrence instead of accident and personal injury instead of bodily injury.

(b) The comprehensive general liability policy should be purchased rather than individual policies for several reasons:

(1) One policy replaces many, thereby simplifying record keeping by insured.

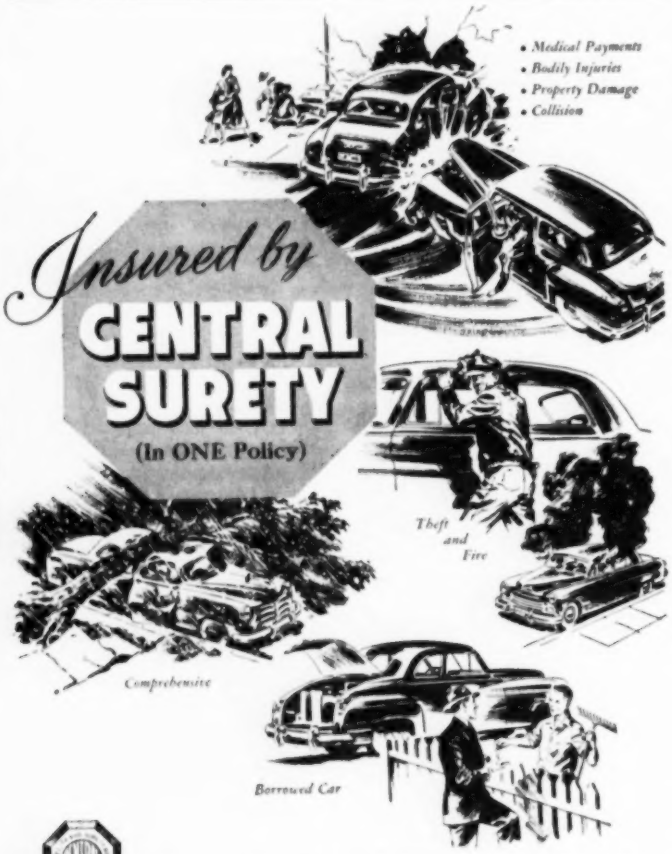
(2) Comprehensive policy form eliminates any loopholes and includes any unknown hazard. The insuring clause is all-inclusive and the policy does not cover only those items excluded. In individual policies each has its own insuring clause and there may be a gap between two policies.

(3) Complete automatic coverage is provided under the comprehensive form. This will act so as to include all hazards which may come into existence during the policy period. The automatic coverage in individual policies, where granted, is usually limited.

The comprehensive general liability policy would replace the policies outlined in (ii), (iii), (iv), (v), (vi) and (vii) above. It would be more desirable to obtain a comprehensive general automobile policy which would include, in addition to what the comprehensive general liability policy includes, items (viii), (ix), (x) and (xi) above.

(c) Those shown under (i), (ix), (x), (xi), (xii), (xiii), (xiv) and (xv) above.

7. In a state with a "valued policy" law, plant "G" was adjacent to the dwelling of "H." "G's" chemical compressor burst and sprayed "H's" house with an inflammable wax at a time when contracting painter "J" and his employee "K" were remov-



CENTRAL SURETY AND INSURANCE CORPORATION
R. E. McGINNIS, President
It's Wise to CENTRALIZE
HOME OFFICE KANSAS CITY, MISSOURI

ing paint from "H's" house with a blow torch, according to "J's" contract with "H." The house, having a current market value of $7,000, and painters' equipment worth $1,200 were completely destroyed. The fire spread and completely destroyed "G's" warehouse. Both "J" and "K" were hospitalized for six months because of their burns, at which time the injuries proved fatal to "K"; "J" was partially disabled for three additional months. Insurance is carried with separate companies as follows:

by "G" in	
Co. 1 Fire and extended coverage	*$1,000,000*
Co. 2 Boiler and machinery	*200,000*
by "H" in	
Co. 3 Fire and extended coverage (on "H's" house)	*8,000*
by "J" in	
Co. 4 Workmen's compensation	.....
Co. 5 Contractors' equipment floater	*1,000*
by "K" in	
Co. 6 Commercial accident policy (bureau form)	*5,000*

(a) and (b) Explain fully the extent to which each of the insurers may have obligations under their contracts arising from the circumstances of the above case.

(c) Explain fully the rights of the several insurers to obtain reimbursement for the primary responsibility or responsibilities they may have in this case.

(a) and (b) "H's" fire policy will pay $7,000 fire insurance on the house.

"J's" workmen's compensation policy will pay for "J's" and "K's" disabilities and thus "K's" funeral expenses and a death settlement.

"J's" equipment floater will pay out $1,000 for the loss he sustained.

"K's" accident policy will pay $5,000.

(c) "H's" policy—fire—will take subrogation against company 1. "G's" company 2 policy will pay any excess. "K's" company 6 will pay the $5,000 anyway. Company 5 will subrogate against company 2, as will company 3. The company that is going to stand the brunt of the entire loss is going to be company 2 (steam boiler). This is an example of proximate cause and the chain of events started with the boiler or compressor explosion.

8. The lease on "E's" residence was not renewed so "E" moved to a hotel until he could locate another home. Meanwhile, $750 worth of silverware and his piano valued at $1,500 were taken to the home of his friend, "F." At the time of the removal "E" cancelled his fire insurance policy on dwelling contents but took no action whatsoever with respect to a $1,000 residence and outside theft policy, with 50% blanket coverage expiring three months later. Fifteen days after the removal all of "E's" silverware was stolen when "F's" house was burglarized. In an attempt to cover up their crime the burglars set fire to the house. The fire caused considerable damage including total destruction of "E's" piano. "F" carried fire insurance (latest dwelling and contents form) for an amount in excess of all the fire damage sustained and not subject to coinsurance.

(a) and (b) With respect to the above losses fully explain the policy provisions that afforded or denied protection to "E" under

(1) The residence and outside theft policy issued to him, and

(2) The policy covering dwelling contents issued to "F."

(c) Assume neither of the above policies had been in effect at the time of the loss but after the loss "F"

(Continued on the next page)

SPECIAL SERVICES

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Quiz of the Month—Continued

told "E" that he believed that his own comprehensive liability policy would take care of the loss to "E's" property. If this is an accurate statement, explain fully to "E" the policy features and provisions that cover this loss. If the statement is inaccurate, explain the policy provisions and features that prevent recovery for this loss.

(a) and (b). 1. Under residence and outside theft policy, "E" was afforded coverage for the silverware by the theft away from premises portion of the policy, as this was within the fifteen day period. However, no coverage was afforded under this policy for the piano, as it was destroyed by fire.

2. "E" was afforded no coverage for either his silverware or piano under the dwelling contents policy issued to "F." Of course there is no question of coverage on the silverware here, as it was not damaged by the fire. However, there is no coverage for the piano either, in which the insured has no interest. "E" has no interest in "F's" policy either.

(c) This is an inaccurate statement. The comprehensive public liability affords coverage for legal liability of the insured for bodily injury sustained as well as medical payments coverage. It includes coverage on insured's personal acts, such as injuring a member of public by driving a golf ball and hitting him, etc., but would afford no coverage for damage to property of "E" in "F's" care, custody and control.

A Bonding Department

. . . so organized

as to provide

the small as

well as the

large risk with

PERSONALIZED

ATTENTION

FIDELITY AND SURETY BONDS

American Casualty Company

OF READING, PENNSYLVANIA

GENERAL LIABILITY RATES REVISED

RATE revisions and amendments to classifications and underwriting rules for the several general liability lines have been announced by the Mutual Insurance Rating Bureau. The changes became effective June 27 in thirty-four states and are similar to the earlier revisions in New York, Louisiana and Texas. The average reductions are: Manufacturers' and contractors' liability, 22.3%, with property damage rates remaining unchanged except in three states where they were adjusted to the country-wide level; owners' landlords' and tenants' liability for miscellaneous classifications, 19.4%, with property damage rates on area and frontage and miscellaneous classifications 25% in most states, and 5% in the remaining states; owners' or contractors' protective liability and property damage, 25%; contractual coverages, 25% for liability and 33⅓% for property damage.

ALABAMA INSTALLMENT CONTROVERSY

AN INSTALLMENT premium plan filed by the Alabama Inspection and Rating Bureau was approved temporarily pending compilation of supporting statistics. Following a later hearing, at which it was brought out that a majority of the Bureau's members and subscribers did not favor continuation of the plan, Alabama Director of Commerce Brooks Glass withdrew approval on June 8 on the basis of unfair discrimination. The Insurance Company of North America Companies appealed the ruling and secured a circuit court order on June 19 preventing its enforcement pending court review.

SALES SLANTS from other fields

Knowledge Is Selling Power

J. M. WYLIE

THERE are only three important factors that must be considered in attempting to sell anything; first, knowing the product, second, knowing the full market, third, and perhaps most important—knowing how to sell it! Knowledge is power. The more knowledge a salesman has, the more power he must have to control sales and increase the number of his sales.

There is a vast reservoir of power to be found in the experiences of a salesman's predecessors and contemporaries which, when studied carefully and organized intelligently, will enable him to dominate interviews and increase sales. The most effective way to utilize this power is through what every top-notcher knows—an organized sales presentation.

The Best Solution

There are many salesmen who feel that organized presentations are supposed to be used only by poor and inexperienced salesmen. This may be true in the case of certain specialized selling, but as a general rule a well organized sales presentation developed in the field of experience is the best solution to every difficult interview.

Many salesmen spend many hours of their time in arranging interviews only to find themselves stumbling and stuttering for lack of a properly arranged presentation. These men prefer to rely upon their native resourcefulness, their sales ability or their originality, to overcome difficult situations. But, when serious consideration is given to the thought that there is always some one best way of telling a story—why take a chance?

There is always a possibility that an original, extemporaneous sales appeal will hit the bull's eye, but how certain is the salesman of his ability to repeat the same sequence or the same continuity in the next interview?

More Often Than Not

A well organized sales presentation will make more sales more often than not, because there is no variation in any of the essential details in every interview. No important points are forgotten, and the psychology back of it is working all the time. The same arguments that sold the proposition yesterday and last week will sell it today and tomorrow on equal conditions, and conditions are mostly equal.

"Oh, oh, prepare yourself for a drive. J. B.'s expression can mean only that."

In the final analysis, an organized presentation is simply an organization of coordinated facts and embodied principles scientifically adapted to a particular product and market. It is just a foundation or fundamental plan of action which, when intelligently used, will provide a stronger sales appeal and more convincing demonstration than a disorganized array of facts and figures.

The real purpose of an organized presentation, therefore, is to have the salesman's thoughts and actions so organized that he will be able to say what he has to say in a straightforward, fluent and convincing manner instead of a halting, disorderly parade which inevitably leads to retreat and defeat.

The successful salesman prepares for every eventuality, because he knows that the slightest detail may be the difference between winning and losing a sales fight. Every approach to every prospect should be tempered with preparation to avoid shadow boxing with guess work.

A guess is a pretty poor substitute for knowledge. A salesman must therefore find out everything there is to know about his proposition so that everything he says will hit the nail on the head. His presentation, therefore, will enable him to gain point after point with intelligent, orderly precision that will secure the desired impression and close sales.

From a sales letter distributed by J. M. Wylie Piano Company, Fargo, N. D.

A NEW approach to Insurance

Only this man can show you the GRAPHIC INSURANCE AUDIT

BUSINESSMEN all over the country have agreed—after seeing the GRAPHIC INSURANCE AUDIT—that for the first time they gained a complete picture of their insurance needs . . . could put their finger on overlapping coverages, and on gaps in their programs of insurance protection.

Only THIS MAN—your nearby U.S.F.&G. Agent—can show you the GRAPHIC INSURANCE AUDIT. Call today and arrange for him to bring you a copy which can be patterned to your own insurance situation, personal, business or both.

There is no obligation. Why not call him now?

For claim service in emergency, call Western Union by number and ask for Operator 25 who has the name and address of your nearest U. S. F. & G. Agent.

The U.S.F.&G.

United States Fidelity & Guaranty Company, *Baltimore 3, Md.*
Fidelity & Guaranty Insurance Corporation, *Baltimore 3, Md.*
Fidelity Insurance Company of Canada, *Toronto*

The Judge Says

Edited by THOMAS E. LIPSCOMB of Thompson, Hine and Flory, Cleveland

Bank Indemnity Insurance—The Obtaining of Money from a Bank on a Check Signed By a Person Having a Name Identical With That of a Depositor Is a Forgery as Distinguished From Obtaining Money Under False Pretenses

Peoples Bank & Trust Co. v. Fidelity & Casualty Co. of New York, (N. C. 1950) 57 S. E. 2d 800.

The Peoples Bank & Trust Company of Rocky Mountain, North Carolina, carried a policy with the Fidelity & Casualty Co. of New York insuring the bank against loss from a number of specified causes, including false pretenses but not including loss through cashing or paying forged checks. By eliminating forgery from the coverage the bank obtained a reduced premium rate.

A man named Otha Langley, who will be referred to herein as Langley No. 1, carried a substantial deposit with the bank in a checking account. Another man named Otha Langley lived in the community but was not a depositor of the bank. He will be referred to as Langley No. 2. Langley No. 2 went to the bank in the company of a man named Harris. Harris was acquainted with the teller but the latter did not know either Langley No. 1 or Langley No. 2 by sight. In the presence of Langley No. 2, Harris said to the teller: "This man is Otha Langley; he says that he has an account here and that this check is good." Harris handed a check to the teller signed by Langley No. 2. The teller sent the check to the bookkeeping department by a conveyor and it was returned marked "O.K." It was then cashed by the teller. Before leaving the bank Langley No. 2 requested the teller to "see what my balance is." The teller then ascertained the balance in the Otha Langleg account from the bookkeeping department and advised Langley No. 2 of the amount.

Thereafter, by continual checking on the balance, Langley No. 2 continued to present checks at the bank signed by himself, which were cashed and paid out of the account of Langley No. 1. A total of approximately $4,000 was paid out to Langley No. 2 in this manner before the fraud was discovered.

The bank presented a claim to the Fidelity and Casualty Co. to recoup the loss it had thus sustained. It was the contention of the bank that Langley No. 2 had obtained the money by false pretenses and not by forgery, as Langley No. 2 had signed his own name to the checks but had fraudulently represented himself as being Langley No. 1. The insurance company contended that the money had been obtained by forgery.

In the ensuing litigation the Supreme Court of North Carolina, in a case of first impression in that state, resolved the issue in favor of the insurer, holding that there was no logical reason whatever that would confer immunity from the charge of forgery upon a person who signs his own name to a check with a fraudulent intent that it should be taken as the act of another person of like name. It was pointed out by the Court that false pretense and forgery are closely akin, both belonging historically to the family of offenses known to the common law as "cheats." In the development of the law false pretense has come to be regarded as referring to fraudulent deceits by parol while forgery exclusively pertains to a writing.

It is obvious that the combination of circumstances making the type of forgery here involved possible, rarely occurs. The decision of the North Carolina Court seems to be in accord with the reported decisions of other states. See 23 Am. Juris. 679.

Contractor's Liability Insurance — Disclaimer of Liability By Insurer Before Suit Is Brought Against Insured Does Not Amount to a Waiver of Conditions of the Policy

Marzel Heat Corp. v. Travelers Indemnity Co. (1950, Mass.) 92 N. E. 2d 233.

The plaintiff brought an action for breach of a contract of insurance as contained in a "manufacturers and contractors liability policy." The plaintiff was engaged in the business of installing heating plants and selling fuel oil. It entered into a contract with a customer to install an oil burner and to "reseal the furnace." Some months after the work had been completed and the plaintiff had received payment therefor, the customer suffered soot and smoke damage due to alleged improper work in the re-sealing of the furnace. The plaintiff notified the defendant of the customer's claim, but after investigation the defendant wrote to the plaintiff disclaiming liability, and refused to pay the claim.

The plaintiff settled the loss and then brought suit to recover under the policy. In defense of this action the defendant set up the following provision of the policy:

"No action shall lie against the company unless, as a condition precedent thereto, the insured shall have fully complied with all the terms of this policy, nor until

(Continued on the next page)

the amount of the insured's obligation to pay shall have been finally determined either by judgment against the insured after actual trial or by written agreement of the insured, the claimant, and the company."

It was contended by the plaintiff that it was excused from complying with the above quoted conditions of the policy by reason of the defendant's disclaimer of liability. In overruling this contention and holding for the defendant, the Supreme Court of Massachusetts said:

"There was no evidence that at the time of the defendant's statements—or at any other time for that matter—the customer had brought an action against the plaintiff. What this defendant wrote at a time when there was no case for it to defend did not amount to a waiver of the condition. The refusal to assume liability at such a time was not a breach of any term of the policy. We do not interpret the defendant's action as a denial of liability in any event, or as the equivalent of a refusal to defend an action. *Its action did not confer upon the plaintiff any right to make such settlement as it might choose and to charge the cost to the defendant.*" (Emphasis supplied)

EUROPEAN AUTO RATES REDUCED

A REDUCTION in automobile insurance rates for Americans driving in western Europe was announced June 22 by the American Foreign Insurance Association. Compulsory automobile liability insurance is in effect in Great Britain, Switzerland and the Scandinavian countries. The association, in addition to bodily injury insurance, writes property damage, comprehensive, medical payments, $50 deductible collision and all risk marine coverages for American motorists abroad. Policies are issued on a short-term basis at customary United States rates, subject to 30% of the annual premium as a minimum.

INDEPENDENT FILINGS CRITICIZED

INDEPENDENT filings were viewed as a menace to present forms of rate regulation and to the stability of the industry as a whole by John A. North in his presidential address to the Eastern Underwriters Association. He warned that the filing of an excessive number of plans would destroy the rate structure and make the collection of classified experience impossible. Deductible policies came in for considerable discussion at the meeting.

ASKS REVIEW OF ARKANSAS SUIT

THE North Little Rock Transportation Company (Arkansas) has requested a review by the United States Supreme Court of the decision of the District Court in its suit against the Casualty Reciprocal Exchange, et al. Handed down last September 9, the decision of the lower court was hailed as upholding Public Law 15 and the present pattern of state regulatory legislation.

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For More Than 25 Years EMPLOYERS INSURANCE CO. of ALA. has paid 20% DIVIDENDS TO POLICYHOLDERS ON WORKMEN'S COMPENSATION INSURANCE

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- Owners', Landlords' and Tenants' Bodily Injury and Property Damage
- Elevator Bodily Injury and Property Damage
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- Plate Glass
- Comprehensive Personal Liability
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- Forgery Bonds
- Burglary, Robbery and Theft
- Fire and Allied Lines including Windstorm—(In Alabama only at present).

WM. H. HOOVER, President and Chairman

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INTER-OCEAN REINSURANCE COMPANY CEDAR RAPIDS IOWA

FORUM FOR LIVING

AS THOUSANDS of Massachusetts radio listeners heard an 18-year old Pittsfield high school senior win a $2000 college scholarship offered by the casualty insurance companies serving Massachusetts, the first phase of a unique public service and public relations program came to a successful conclusion.

Purpose of the program, entitled "Forum For Living," was threefold: first, to help Massachusetts residents enjoy better living through better safety and health practices; second, to encourage high school seniors, the business men, the home owners and the housewives of tomorrow, to think constructively about accident prevention; and third, to make friends for casualty insurance at a time when it was under destructive attack.

Sponsors of the state-wide program were American Mutual Liability Insurance Company, Employers' Liability Assurance Corporation, Ltd., Liberty Mutual Insurance Company and Massachusetts Bonding and Insurance Company. Pooling efforts, talents and just plain hard work, the four companies embarked on the project shortly after the first of the year.

The program was built around a 14-weeks radio quiz competition for which high school seniors were eligible on the basis of safety questionnaires and essays. To get those questionnaires to seniors in Massachusetts high schools, committee members visited every high school, public, parochial and private, to tell the story of the program and the competition. Although response varied in the seven areas into which the state had been divided for the contest, more than 10,000 completed questionnaires were submitted by seniors eager and anxious for a chance at the six college scholarships ranging in value from $2000 to $500.

Miss Marion Felton receiving the $2,000 college scholarship first prize from Rudolph F. King, Massachusetts Registrar of Motor Vehicles.

The finalists came from widely scattered points in Massachusetts; Belmont, Weymouth, Taunton, Leominster, Lowell and Pittsfield which boasted the lone girl finalist. The poised Pittsfield miss, however, bested the five other finalists to win top honors.

Satisfied with the results of the Forum For Living program, officials of the four sponsoring companies now are discussing plans for future projects along similar lines.

Reinsurance

Reinsurance, like the weather, is a timely topic every day in the year. *Employers* Regional offices are staffed by people of experience, ready every day to help tailor our service to fit your specific needs. Easy to start—just use your phone!

Employers Reinsurance Corporation

KANSAS CITY

NEW YORK CHICAGO SAN FRANCISCO LOS ANGELES

Reports on Companies

AMERICAN Insurance Company
Newark, New Jersey

New President

Paul B. Sommers has resigned, effective August 1, as president of this company in accordance with the company's retirement plan. He is succeeded by B. C. Vitt, formerly vice president and director of the company. Mr. Vitt holds responsible positions in a number of insurance organizations including the South-Eastern and Eastern Underwriters Associations, the National Board of Fire Underwriters and the General Adjustment Bureau.

Stock Dividend

A dividend of 45c per share has been declared payable October 2, 1950, to stockholders of record September 1, 1950.

AMERICAN MOTORISTS Insurance Company
Chicago, Illinois

To Increase Capital

This affiliate of the Lumbermens Mutual Casualty Company has, in accordance with plans to increase its capital from $1,500,000 to $2,000,000, filed a registration statement with the Securities and Exchange Commission. Stockholders will be permitted to purchase at par value ($5), one new share for each three shares now held.

ASSOCIATED HOSPITAL Service
New York, New York

New President

Charles Garside was recently elected president of New York's Blue Cross Plan. Louis H. Pink, who Mr. Garside succeeds as president, will continue as chairman of the board and chief executive officer. The Plan currently has a membership of 4,375,000 persons.

Polio Benefits Included

Hospitalization benefits covering poliomyelitis are now available to members of Associated Hospital Service (the New York Blue Cross Plan). Although the plan's contracts do not cover communicable diseases requiring isolation and quarantine, an exception will be made in the case of poliomyelitis to provide for the usual acute phase of the disease. When members are hospitalized for the initial acute stage of poliomyelitis full benefits will be extended for 21 days plus discount benefits for nine additional days. If post-polio surgery should be required further benefits will be provided beyond the 30-day period.

AUTOMOBILE DEALERS Mutual Insurance Company, Kansas City, Missouri

New Vice President

R. L. Flath was recently elected a vice president of this mutual. Mr. Flath has been general manager since the early part of 1949. Prior to joining the company he was with the Employers Mutual of Wausau, Wisconsin.

CAROLINA Casualty Insurance Company
Burlington, North Carolina

New President

Col. Reese F. Hill was elected president of this company on July 1, succeeding P. C. Baylor who recently resigned. Col. Hill recently resigned as vice president in charge of underwriting of the American Casualty Company of Reading, Pennsylvania.

P. C. Baylor, founder and former president of the company sold his interests to devote his time fully to the operations of his Florida insurance agency.

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ALL FORMS CASUALTY
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AVIATION
FIDELITY AND SURETY BONDS

American
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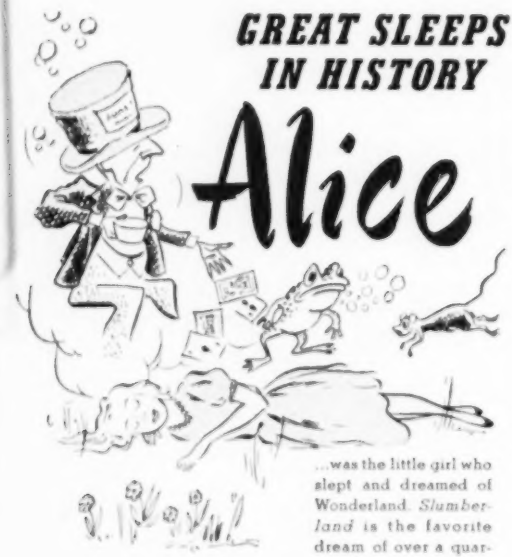

...was the little girl who slept and dreamed of Wonderland. *Slumberland* is the favorite dream of over a quarter of a million guests who annually rest on those wonderful, cloud-comfortable beds at

CLEVELAND'S HOTEL HOLLENDEN
ROBERT P. JOYCE, GENERAL MANAGER

COLONIAL Insurance Company
Los Angeles, California

To Increase Capital

To meet admission requirements of states it desires to enter, this company has requested permission of the California Insurance Department to increase its capital from $150,000 to $200,000 through the sale of additional stock at par value, $10 per share.

CONTINENTAL Casualty Company
CONTINENTAL Assurance Company
Chicago, Illinois

Increases Capital

The capital of the Continental Casualty and the Continental Assurance were increased from $6,000,000 to $7,500,000 and from $3,000,000 to $4,000,000 respectively, on July 12, 1950 through the distribution of stock dividends to shareholders of record July 3.

DEARBORN NATIONAL Group
Detroit, Michigan

Court Order

The Michigan Insurance Department has been given more complete control over the affairs of the Dearborn National Insurance Companies pending the resumption of a hearing on the insurance department's petition for receivership. An order of Judge Louis Coash of the Ingham County Circuit Court in effect makes a group of insurance department representatives manager of the companies until the completion of the hearing, which has been recessed until early in September. The department claims that the two companies (Dearborn National (Fire) and Dearborn National Casualty) both of which are controlled by David F. Broderick, are guilty of a number of violations of the insurance code including irregular transactions with other corporations owned or controlled by Mr. Broderick.

EQUITY GENERAL Insurance Company
Miami, Florida

Licensed

This company was recently licensed by the State Insurance Department of Florida to transact fire, inland marine, automobile physical damage and allied lines. Both direct and reinsurance business will be written. Paid up capital is $250,000 and a like amount has been contributed to surplus. The new company is sponsored and owned by the American Title and Insurance Co., Miami, Baloise Fire Insurance Co., Baloise Marine Insurance Co., Swiss National Insurance Co., all of

Basle, Switzerland, and Union Reinsurance Co., Zurich, Switzerland. Officers of the company are as follows: President, Joseph Weintraub; executive vice president, J. R. Schwartz; vice president, Deblois Milledge; vice president and secretary, R. G. Eaton; treasurer, J. O. Hall.

FIDELITY AND DEPOSIT Company of Maryland
AMERICAN BONDING Company of Baltimore
Baltimore, Maryland

New Officers

The parent company and its subsidiary, American Bonding, recently announced the following elections: G. Robert Howell and Elmer B. McCahan, Jr., as vice presidents; Harold C. Nuttle, assistant secretary; Samuel Hopkins and Mabel Shaw, assistant treasurers.

FIRE ASSOCIATION Group
Philadelphia, Pennsylvania

New Vice President

W. Stanley Kite, who recently resigned the presidency of the Manufacturers Casualty and Manufacturers Fire Insurance Companies, has joined the Fire Association of Philadelphia and the Reliance Insurance Company of Philadelphia as vice president. His major responsibility will be the development of the casualty operations of the companies. After serving as manager of the Philadelphia branch of the Hartford Accident and Indemnity Company, he resigned to become vice president of the Ohio Casualty and, in 1943, president of the Manufacturers.

Elected Director

William L. Dempsey has been elected a director of the Fire Association of Philadelphia, and its wholly-owned subsidiary, Reliance Insurance Company of Philadelphia. Mr. Dempsey is president, secretary and director of Sharp and Dohme, Inc., Philadelphia.

FIREMAN'S FUND Insurance Company
San Francisco, California

Writing Fire Deductibles

Although it does not favor self-insurance in any form, the Fireman's Fund Insurance Company has announced that it will write deductible fire insurance policies to provide a domestic market and prevent forcing those insureds who demand such policies to seek non-admitted insurance. The company's decision is, in part at least, a result of the recent Carnation Company ruling in

(Continued on the next page)

HAWKEYE-SECURITY · INDUSTRIAL · TWO OF THE FINEST

OUR AGENTS ENJOY ALL 3

Every agent who joins HAWKEYE-SECURITY & INDUSTRIAL'S team of agents is assured of getting the best in home office service every day of the year.
Day in and day out HAWKEYE-SECURITY & INDUSTRIAL are helping more agents build sales. They service agents speedily and efficiently . . . claims are paid promptly . . . every possible sales help is given . . . and a staff of Field Representatives work closely with agents. Yes, "the trend is to HAWKEYE-SECURITY & INDUSTRIAL."

HAWKEYE-SECURITY INSURANCE COMPANY
INDUSTRIAL INSURANCE COMPANY
Des Moines, Iowa

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New Amsterdam Casualty Company

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Phone: L. D. 109

40 Exchange Place
New York 5, N. Y.
HAnover 2-6384

FIREMAN'S FUND—Continued

California in which the insurance department approved deductible policies issued by Underwriters at Lloyd's, London when it was brought out that no domestic market existed. At present the company's operations in this field will be limited to California. Studies made by the company indicate that the coverage can be satisfactorily underwritten when the property owner assumes all losses up to approximately $50,000, with substantial values at risk above the deductible insured up to at least 80% or 90% of the excess.

GENERAL ACCIDENT Fire & Life Assur. Corp.
POTOMAC Insurance Company of the D. of C.
Philadelphia, Pennsylvania

Executive Appointment

John S. Kaufman, formerly agency manager in charge of agencies and branch offices, has been appointed assistant United States manager of the General Accident and elected a vice president of the Potomac.

GULF Insurance Company
Dallas, Texas

Increases Dividend

The regular quarterly dividend on stock of this company has been increased from 35c to 40c per share. Payment is to be made on July 15. Two 35c dividends have previously been paid this year and four regular dividends plus an extra dividend totaling $1.25 were paid during 1949.

HOME Insurance Company
New York, New York

Amends New York License

An amended license has been issued to this company by the Insurance Department of the State of New York granting casualty and surety underwriting powers in addition to the fire, marine and other writing authority already held. A spokesman for the company states similar licensing will be sought in other states where multiple line operations are permitted.

JEFFERSON Insurance Company
New York, New York

Licensed

This company has been licensed in New York to write fire, marine and allied lines. Paid-in capital is $500,000 and paid-in surplus $500,000. It is understood that operations will be limited at first to ocean marine (hull and cargo) business. Later the company may ex-

LONG ON PROTECTION...LONG ON PROFITS!

The new ANCHOR Comprehensive Automobile Policy

"You're sitting at the helm—aways from competition," says Boss Dan, "when you offer your clients this broad, new Anchor policy." You can scan the horizon but you'll find nothing better . . . anywhere! Have a look:

CUMULATIVE COLLISION FEATURE—Assured pays the deductible amount only once, then policy automatically becomes a full coverage contract.

TRAILER COVERAGE—Covers any type trailer under BI and PD: utility, house, office, store, display or passenger trailer.

"DRIVE-OTHER-CAR" PROVISION under BI, PD and Medical Payments covers insured or spouse in hired or rented cars, those furnished insured (or member of household) for regular use, certain uses of small delivery trucks and those owned or hired by other members of insured's household. This provision under Fire, Theft, Comprehensive, Towing and Collision applies to non-owned private passenger cars or utility trailers while in custody of insured or spouse, excepting if hired for regular or frequent use or while the owner of the car is riding in it at the time.

Written in all States where approved

Also Includes:

INSURING AGREEMENTS
BI and PD not limited to "caused by accident" but any OCCURRENCE

NEWLY ACQUIRED CARS
Automatically insured for ENTIRE policy period

FINANCIAL RESPONSIBILITY
Insured no longer required to REIMBURSE the company for payment of losses because of any Financial Responsibility Law.

SEE YOUR ANCHOR MAN OR WRITE

ANCHOR CASUALTY COMPANY
SAINT PAUL 4, MINNESOTA

pand to write inland marine and fire reinsurance contracts. Officers of the company include: Chairman of the Board, Max Wollner, president, Canadian Home Assurance Company; president, James Mather, formerly United States marine manager of the London-Phoenix Group and the Norwich Union Fire Insurance Society, Ltd., and vice president, Philip H. Colgan, formerly assistant to the president of the American International Marine Agency.

LUMBERMENS MUTUAL Casualty Company
Chicago, Illinois

Advancements

M. F. Gruhn, the company's San Francisco resident vice president, was recently advanced to the position of vice president, and the following named resident secretaries: F. S. Benson (New York City); W. A. Dodderer (Atlanta); S. F. Scanlin (Los Angeles); T. E. Schwerk (Chicago) and W. A. Smith (San Francisco).

MARQUETTE Casualty Company
New Orleans, Louisiana

Increases Capital

The Marquette Casualty Company of New Orleans, which was organized late in 1949 and began business on January 1 with paid in capital of $100,000 and surplus of $50,000, has recently increased its capital to $200,000 and added $50,000 to surplus through the sale of additional stock.

MUTUAL Fire Insurance Company
Saco, Maine

Rescinds Merger

The merger of this mutual and the Central Manufacturers' Mutual Insurance Company of Van Wert, Ohio, (See page 114 July F. & C. News) has been rescinded. Three policyholders of the Saco mutual contested the merger and, under an out-of-court agreement, the Maine company will continue in business.

NEW YORK Life Insurance Company
New York, N. Y.

To Write Group A. & H.

This company has announced its intention of writing group accident and health insurance as soon as preparations are completed. This is part of a program which will also include the writing of group life and group annuity policies.

St. Louis — Washington Underwriters

OF THE

ST. LOUIS FIRE & MARINE INSURANCE CO.

AND THE

WASHINGTON FIRE & MARINE INSURANCE CO.

ST. LOUIS, MO.

Rated "A+," Excellent, in Best

BEST'S BULLETINS

Best's Weekly Insurance Bulletins (Fire, Casualty, General or Life) on your desk each Monday morning—a review of all happenings of importance in the insurance world. Instructive, concise, accurate and authoritative.

$7.50 A YEAR

For either Life, Fire and General, Casualty and General

ALFRED M. BEST COMPANY, INC.

75 Fulton Street New York 7, N. Y.

NORTHERN Insurance Company of New York
New York, New York

Financing Completed

Stockholders of Northern Insurance Company purchased at $37.50 per share (par value $12.50), 78,767 shares of common stock representing 98.5% of the company's offering of 80,000 shares. The underwriting group headed by The First Boston Corporation and Wood, Struthers & Company has placed the balance of 1,233 shares with dealers. Concurrently with the issuance of the rights, Northern distributed 80,000 shares of capital stock as a stock dividend. Completion of the transaction increased the company's resources by $3,000,000, less expenses, with capital raised from $1,000,000 to $3,000,000.

RHODE ISLAND Insurance Company
Providence, Rhode Island

Permanent Receiver Appointed

Following a hearing on July 20, 1950 Thomas J. Meehan, Director of Business Regulation of the State of Rhode Island, was appointed permanent receiver for rehabilitation of the Rhode Island Insurance Company.

STATE FARM Fire Insurance Company
STATE FARM Casualty Company
Bloomington, Illinois

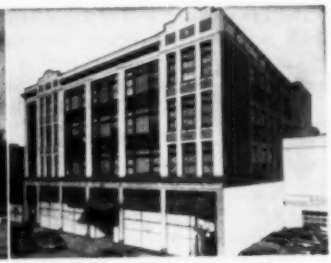
Merged—Name Changed

On July 1, 1950 capital of the State Farm Fire Insurance Company, Bloomington, Illinois, was increased to $1,000,000 following its absorption of the State Farm Casualty Company by merger. Simultaneously, the name of the surviving company was changed to State Farm Fire and Casualty Company. The new capital stock is divided into 100,000 shares of $10 par value. All of the stock, except directors' qualifying shares, is owned by the State Farm Mutual Automobile Insurance Company, which had also wholly owned the shares of the former companies. The retiring State Farm Casualty Company, which was organized in 1944 but had not transacted business, had capital of $300,000 and surplus of $352,589 as of the date of merger. The addition of these funds to the resources of the State Farm Fire and Casualty Company increases its assets to over $6,000,000 and its surplus to policyholders to more than $2,800,000.

In 1949 the company wrote net premiums of approximately $3,100,000, principally in fire, extended coverage, motor vehicle and hail insurance. The company has no present intention to write any lines of insurance other than those now being transacted.

Home Office: Bloomington, Illinois

Western Office: Berkeley, California



North Central Office: St. Paul, Minn.

Michigan Office: Marshall, Michigan

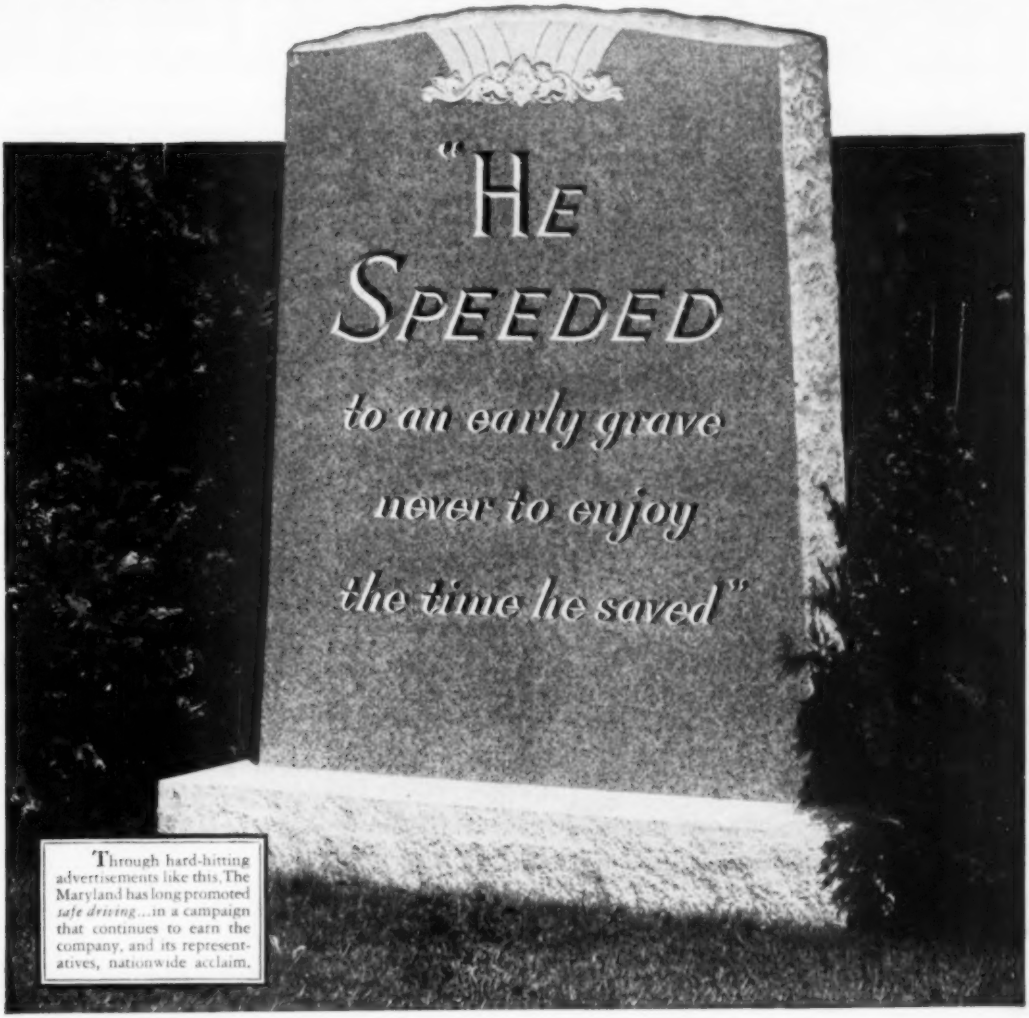
West Central Office: Lincoln, Neb.

These strategic locations mean more efficient service for our nearly two million State Farm policyholders

STATE FARM INSURANCE COMPANIES

State Farm Mutual Automobile Insurance Company
State Farm Life Insurance Company
State Farm Fire Insurance Company

"*Unforeseen events* . . . need not change and shape the course of man's affairs"



Through hard-hitting advertisements like this, The Maryland has long promoted *safe driving*...in a campaign that continues to earn the company, and its representatives, nationwide acclaim.

LET THIS grim epitaph to a motorist in a hurry remind *you* . . .

To take it easy. Go slow at crossings. Pass only when you can see what's ahead. Pamper the throttle, don't abuse it. Read and *heed* all traffic safety signs. Help save some of the 35,000 and more lives that otherwise will be lost this year . . . through motorists' negligence or carelessness.

It's a terrific toll—and one that *you*, when at the wheel, can help lessen. By dedicating yourself to safe driving, by observing caution every mile of the way whether in town or on the highway, you'll be doing your part to help save other people's lives—*and your own!*

Always remember: *The wheel of your car is a wheel of chance. Handle it with care.*

MARYLAND CASUALTY COMPANY

Baltimore 3, Maryland

All forms of Casualty Insurance, Fidelity and Surety Bonds, for business, industry and the home, through 10,000 agents & brokers

STATE FARM Mutual Automobile Insurance Company, Bloomington, Illinois

New Officer

Charles E. Beadles was recently named resident vice president for Michigan by this mutual. Mr. Beadles was formerly manager of the company's branch office at Marshall, Michigan.

UNITED Casualty Company Cedar Rapids, Iowa

Changes Title

The corporate title of this organization was changed on February 28, 1950 to United Fire & Casualty Company.

Broadens Charter

The charter of the company was broadened to permit the underwriting of full multiple lines on May 1, at which time the company began the writing of fire and allied lines. All fire insurance business of the United Mutual Insurance Association, Cedar Rapids, Iowa, was reinsured on June 6, 1950. Management does not contemplate the underwriting of fire insurance outside the State of Iowa in the near future.

casualty, fire
automobile and surety
reinsurance

catastrophe
excess of loss
treaty and specific

Specialty covers including:

steam boiler excess
fleets, motor cargo
aggregate excess

EXCESS UNDERWRITERS inc.

90 John St., New York
Chicago office • **Insurance Exchange Bldg.**
San Francisco office • **233 Sansome St.**

UNITED STATES GUARANTEE Company New York, New York

Mobley Advanced

Nathan Mobley, executive vice president of this company will succeed John T. Jones as president of the company on September 1, 1950. Mr. Jones, who is retiring under the company's retirement plan, will continue as a director. A special meeting of stockholders was called for July 27, 1950 to vote upon a resolution appointing Chubb & Son managers of the fidelity and surety departments of the company. The proposed change in management is to become effective January 1, 1951, at which time Mr. Mobley will be made a partner of Chubb & Son. This organization manages the company's casualty and aviation departments.

WESTERN Casualty & Surety Company Fort Scott, Kansas

Increases Authorized Capital

Stockholders of this company voted to increase the company's capital from $1,000,000 to $2,000,000 through the sale of additional stock and approved charter revisions broadening underwriting powers to include the writing of fire and allied lines. The newly authorized shares will not be issued immediately but management states that a program for the stock issue will be completed later this year.

WM. PENN Fire Insurance Company Philadelphia, Pennsylvania

Suspends Operations

The board of directors of the Wm. Penn Fire Insurance Company voted to cease writing new and renewal business as of July 13, 1950. The Pennsylvania Insurance Department simultaneously ordered the company to suspend operations; all policy liability to continue. The case has been referred to the Pennsylvania Attorney General for further action. A meeting was held by the Attorney General on August 1 at which time the matter was postponed until August 15. The Pennsylvania Department expresses hope for the company's rehabilitation. Management of the company advises that losses on outstanding business will be taken care of as heretofore. A home office staff is being retained to give the run-off of the business full supervision and agents will be permitted to continue to supervise the business which is already on the books of the company.

The above action was precipitated when the subcommittee on valuation of securities of the National Association of Insurance Commissioners placed a value of zero on some $1,300,000 four percent serial debenture notes of Doeskin Products, Inc., held by the company. Although these bonds are not technically in default, litigation has been instituted contending that they were improperly issued.

COMPLETE INDEX

From January, 1950 to Date, Inclusive

EDITORIALS

Admitted Assets—Stock Companies ..... Aug. 15
Mutual Companies ..... Aug. 16
Casualty Reciprocal Underwriting ..... Aug. 16
Company Changes ..... Feb. 15
Consolidated Earnings ..... May 18
Executive Comment ..... Mar. 14, Apr. 12
Insurance Groups ..... June 17
Insurance Stock Trends ..... Jan. 17
Operating Results
Stock Fire ..... Apr. 14
Stock Casualty ..... Apr. 15
Mutual Casualty ..... May 17
Mutual Fire ..... May 16
Review and Preview ..... Jan. 14
Socialization, The Highway to ..... May 19
Underwriting Results—
Stock Fire ..... May 15
Stock Casualty ..... July 15
Mutual Casualty ..... July 14

ACCIDENT & HEALTH

A. & H. Developments (monthly) ..... Aug. 51
Industrial Health Symposium ..... May 81
I Saw It in England—*Dr. Ralph J. Campell* ..... Jan. 93
Positive Thinking—*Charles B. Stumpf* ..... June 49
Social Security—*Oscar R. Ewing* ..... Aug. 51
Take the Long View—*C. A. Kulp* ..... Mar. 41
Who Says We Don't Try—*W. deV. Washburn* ..... July 33

BUYERS

Accident vs. Occurrence—*Harry C. Anderson* ..... Apr. 41
Buyers' Round Table (monthly) ..... May 43
Re-Examine Your Program—*R. D. Constable* ..... Mar. 25
Three of Us, The—*Frazier S. Wilson* ..... May 43

GENERAL

Accident-Prone Driver, The—*W. A. Tillmann, G. E. Hobbs* .. Feb. 33
Agency Cost Study—*N. Y. Insurance Department* ..... Apr. 17
Agency Cost Survey—*N. H. Association of Ins. Agents* ..... May 39
Assigned Risks Experience ..... Jan. 85
Atomic Energy and Insurance—*S. C. Rothmann* ..... May 24
Constructive Uses of the Atom ..... June 45
Casualty Coverage Implications ..... July 37
Average Premium and Agency Profit—*Arthur L. Schwab* ..... Jan. 39
C.P.C.U. Questions and Answers—*American Institute*
Insurance Principles and Practices ..... Mar. 93, Apr. 93, May 96
General Education ..... June 103, July 89
Law ..... Aug. 39
Challenging Days—*Henry S. Moser* ..... Apr. 29
Co-Insurance Sins, The Two—*T. M. Alexander* ..... Mar. 29
Complete Service—*Walter L. Hays* ..... Mar. 37
Cooperation in Loss Prevention—*R. C. Coleman* ..... Jan. 89
Deductible Insurance ..... July 45
Don't Forget the Little Woman—*News and Views* ..... July 39
Export Packaging Study—*Port of New York* ..... May 33
Fifth Horseman, The—*Bernadette Claus* ..... Aug. 81
Fire Insurance Term Rule—*Fireman's Fund Record* ..... Feb. 36
Fire Insurance Terms and Discounts ..... Mar. 17
Fireproofing Cement ..... Mar. 83
Future of Small Companies, The—*Arthur D. Suttles* ..... Feb. 29
Industrial Fire Brigades—*Warren Y. Kimball* ..... June 55
Insurance Educational Programs—
Educational Director—*L. Ray Ringer* ..... Feb. 18
University Teacher—*C. M. Kahler* ..... Feb. 19
Keeping Pace—*Paul L. Wellener, Jr.* ..... June 21
Liability for Damage by Fire—*Ellis H. Carson* ..... Apr. 25
Multiple Location Problem, The—*Vincent L. Gallagher* ..... Apr. 21
Multiple Underwriting for Agency Survival—*Esmond Ewing* May 21
New Publications ..... July 107
New York Safety—Responsibility—*V. F. Veness* ..... June 27
One Man's Opinion—*B. C. Vitt* ..... Aug. 18
Outlook for Fidelity and Surety—*Horace T. Cator* ..... Aug. 37
Outturn Reports on Packaging—*Maritime Association* ..... June 51
Personnel Audit for Selling—*W. F. Arnold* ..... Aug. 25
Quiz of the Month
Fire ..... Feb. 57, Mar. 87
Inland Marine ..... Apr. 51, May 89
New York Disability Benefits Law ..... June 101
General Education ..... July 57, Aug. 85
Replies to Mr. Moser ..... Mar. 63
Safety and Fire Control Section (monthly) ..... Aug. 81
Saskatchewan Plan, The—*Henry S. Moser* ..... Jan. 21
Term Rule, The—*Thomas C. Morrill* ..... July 25
Washington Scene, The—*Harry F. Perlet* ..... Jan. 25
We Want a Touchdown—*W. Ellery Allyn* ..... Mar. 21
Woman's Viewpoint, The—*Charlotte Montgomery* ..... May 35
Workers Were Safer ..... July 56
Writing Multiple Lines—*J. M. Cahill* ..... Jan. 19

LEGAL & CLAIMS

Automobile Material Damage Claims—*G. H. Thompson* ..... June 37
Compulsory Division of Commissions—*Edmund T. Delaney* ..... Aug. 33
Farmers' Legal Liability—*Harry Lees* ..... Feb. 24
Farm Liability Claims—*Robert R. Collins* ..... Feb. 25, Mar. 15
Handling Policyowners' Claims—*M. E. Foltz* ..... Jan. 29
Judge Says, The—*Thomas E. Lipscomb* (monthly) ..... Aug. 91
Legal Spotlight, The (monthly) ..... Aug. 33
Legislation in 1950—*Ray Murphy* ..... June 31
Liability Above Policy Limits—*William P. Harper* ..... Aug. 29
Legislative Report—*Erwin A. Meyers* ..... Jan. 33
Loss Adjustments—
Fire—*Douglas W. Rodda* ..... Apr. 37
Casualty—*Charles Gable* ..... Apr. 37
Loss Logic (monthly) ..... Aug. 29
Public Law 15 Affirmed—*U. S. Court of Appeals* ..... May 47
State Regulation Strengthened—*U. S. Supreme Court* ..... July 29
Subrogation Devices—*Wayne Van Orman* ..... Apr. 83
Subrogations, Preparation of—*Fred W. Engle* ..... May 53
Trade Practice Rules—*Federal Trade Commission* ..... Mar. 33

OFFICE METHODS

Around the Office—*Guy Ferguson* (monthly) ..... Aug. 58
Booklets (monthly) ..... July 69
Boss' Lament, The—*The Philadelphia Purchaser* ..... Apr. 63
Evaluating Insurance Jobs—*Elizabeth Lanham* ..... June 75
Installing the Program ..... July 63
Administration and Rating Practices ..... Aug. 57
Hiring Office Employees—*Howard G. Martin* ..... June 86
Microfilming Titles ..... Aug. 55
Modern Aids to Office Efficiency (monthly) ..... Aug. 56
Never Miss an Expiration—*James Wilkins* ..... Mar. 49
Office Equipment Directory (monthly) ..... Aug. 67
Pensions and Profit Sharing—*Edward D. Brown, Jr.* ..... Jan. 53
Premium History Records—*E. T. Koopman* ..... May 75
Punched Cards—Problem Solvers—*Sidney J. Flock* ..... Feb. 61
Salesman in the Mail—*William E. Blatz* ..... Apr. 75
Service Awards—*S. K. Harris* ..... July 70
Suggestion System, A Successful—*I. I. Ferguson* ..... Apr. 61
Take a Letter—*Herbert E. Clarkson, Jr.* ..... May 65, June 79
True Incentive, The—*R. O. Yearick* ..... May 58

RATE CHANGES

Automobile
Ohio, Md., Okla., Pa., Wash., N. C., Wis., West Va. ..... Jan. 111
Pa., Mo., Neb., N.H., Farm, Iowa ..... Feb. 91
Illinois ..... Mar. 128
Iowa ..... Mar. 30
Florida, Virginia ..... Apr. 115
Texas, Oregon ..... May 30
State Farm Mutual Automobile ..... May 46, June 61
New York, Ohio, North Carolina ..... June 100
Georgia, Florida, Ohio, Nebraska ..... July 52
Maryland, Kentucky, Colorado ..... Aug. 50
Western Europe ..... Aug. 92
Bonds
North Carolina ..... Mar. 89
Extended Coverage
Georgia ..... May 37
Fire
New England, North Carolina ..... Jan. 45
New Jersey ..... Mar. 104
Virginia ..... Apr. 109
Missouri, Michigan ..... June 100
General Liability
Mutual Insurance Rating Bureau ..... Aug. 88
Hail and Wind
North Carolina ..... Mar. 128
Hospitalization
Wisconsin ..... Jan. 43
New Jersey ..... Mar. 104
Inland Marine
North Carolina ..... Jan. 110
Liability
North Carolina ..... Feb. 94
Countrywide ..... Mar. 30
Riot
Factory Ins. Association ..... Jan. 114
Sprinkler
New York ..... Apr. 44
War Risk
Korea ..... Aug. 49
Workmen's Compensation
Wisconsin, Minnesota, Texas ..... Jan. 45
Texas, Missouri ..... Feb. 108
Michigan, Massachusetts ..... Mar. 98
Cal., R. I. ..... Apr. 81
1949 Revisions ..... Apr. 56
Illinois ..... May 46
Virginia, New Jersey ..... June 40
Iowa, Nebraska, Pennsylvania, Virginia ..... Aug. 28

SELLING

Art of Using Words, The—*William A. Temple* .....May 85
Battle of the Bluffs—*Jack Bedford* .....June 63
Business Necessity, A—*C. E. Bauman* .....June 41
Enthusiasm Pays Off—*Frank Bettger* .....July 19
Go Professional—*Dave Johnson* .....July 43
Help Yourself to Success—*Neil M. Mathews* .....Mar. 79
It's the Income that Counts—*John Adam, Jr.* .....Apr. 33
Knowledge is Selling Power—*J. M. Wylie* .....Aug. 89
Money Coverage for the Merchant—*Robert D. Hudson* .....July 22
Prospector's Line, The—*W. H. Rodda* .....Feb. 21
Sales Slants from Other Fields (monthly) .....Aug. 89
Sell the Fire—*John Adam, Jr.* .....May 29
Selling Tips from the Home Office (monthly) .....July 97
Silent Salesman—*J. B. Kidder* .....June 58
Some Sales Fundamentals—*A. W. Spaulding* .....June 23
They've Got to Like You—*Ralph R. Swope* .....Aug. 21
What's Wrong with Direct Mail?—*A. H. Anderson* .....Jan. 65
Whom the Gods Would Destroy—*Dave E. Smalley* .....Feb. 53
Why Extended Coverage—*J. D. Carter* .....Jan. 67

MISCELLANEOUS

Company Developments .....Aug. 8
Conventions Ahead .....Aug. 12
Editors' Corner .....Aug. 11
Fire Losses, Monthly .....Aug. 89
Home Office and Field Appointments .....Aug. 77
Insurance Stock Quotations .....Aug. 4
Stock Index, Best's .....Aug. 5

INSURANCE COMPANIES REPORTED UPON

Aetna Casualty & Surety, Hartford
(Stockholders' Report) .....Mar. 113
Aetna Group, Hartford
(Officials Advanced) .....Jan. 70
(1949 Operating Results) .....Mar. 113
(New Directors) .....Mar. 113
(Policy Upheld) .....May 103
(Policy Approved in Minn.) .....July 111
Alamo Casualty, San Antonio
(Purchased) .....Jan. 70
All American Casualty, Chicago
(Incorporated) .....Apr. 117
Allied American Mutual Fire, Boston
(Increases Dividends) .....Apr. 117
Allstate Insurance, Chicago
(Reduces Auto Rates) .....Mar. 113
(Auto Rates Reduced) .....Apr. 117
American Associated Cos., St. Louis
(Comprehensive Policy) .....May 103
American Assurance, Oklahoma City
(New Company) .....Apr. 117
American Automobile, St. Louis
(Dividends Increased) .....Jan. 70
(Discontinues Mileage Differential) Feb. 97
(Broad Form Adopted) .....Mar. 113
American Aviation, Reading
(Capital Increase) .....Jan. 70
American Bonding, Baltimore
(Staff Changes) .....Mar. 113
(See Fidelity & Deposit) .....Aug. 97
American Casualty, Reading
(Stock Dividend) .....Feb. 97
(New Vice President) .....Mar. 114
American Fidelity & Casualty, Richmond
(New Money) .....Feb. 97
American Fire & Casualty, Orlando
(New Director) .....May 103
American Insurance, Newark
(New Director) .....Mar. 114
(Authorized Capital Increased) ..June 121
(New President) .....Aug. 95
(Stock Dividend) .....Aug. 95
American Insurance Group, Newark
(New Officers) .....Jan. 70
American Motorists, Chicago
(Stock Dividend) .....Feb. 97
(Proposed Capital Increase) .....May 103
(To Increase Capital) .....Aug. 95
American Mutual Liability, Boston
(New Vice President) .....Mar. 114
American Re Insurance, New York
(New Director) .....Mar. 114
(New Dividend Dates) .....Mar. 114
American Surety, New York
(Increases Dividend) .....June 121
American Surety Group, New York
(New Trustee) .....Feb. 97
American Title, Miami
(Capital Increase) .....Feb. 97
American Union, New York
(See Scottish Union) .....May 111
Anchor Casualty, St. Paul
(Broadens Charter) .....May 103
(Proposes Capital Increase) .....May 103
Appleton & Cox, New York
(New U. S. Managers) .....Feb. 97
Arcadia National, Chicago
(Verdict In) .....Mar. 114
Associated Factory Mutual, Boston
(Broadens Coverage) .....Jan. 72
Associated Hospital, New York
(Membership Up) .....May 104
(New President) .....Aug. 95
(Polio Benefits Included) .....Aug. 95
Atlantic Fire, Raleigh
(New Director) .....Jan. 72
Atlantic Mutual Group, New York
(York, Trustee and Director) ...Mar. 115
(Additional Coverage Endorsements) May 114
Audubon Insurance, Baton Rouge
(See Commercial Fire) .....Mar. 116
Automobile Dealers Mutual, Kansas City
(New Vice President) .....Aug. 95
Automobile Insurance, Hartford
(1949 Operating Results) .....Mar. 115
Auto-Owners Insurance, Lansing
(Broadens Operations) .....Mar. 115
Beneficial Fire & Casualty, Los Angeles
(New Affiliate) .....Jan. 72
Beneficial Standard Life, Los Angeles
(See Beneficial Fire & Casualty) Jan. 72
Boston-Old Colony Group, Boston
(Recapitalization) .....Jan. 73
(Sells Casualty Member) .....Jan. 73
Broad Street Mutual Casualty, Boston
(Pays Third Dividend) .....June 121
Buckeye Union Casualty, Columbus
(Capital Increase) .....Jan. 73
Burlington Insurance, Hackettstown
(Liquidation) .....June 121
Camden Fire, Camden
(Mills, Director) .....Jan. 73
Canton Mutual Liability, Boston
(Pays Second Dividend) .....June 122
Carolina Casualty, Burlington
(New President) .....Aug. 95
Casualty Reinsurance, New York
(New Reinsurance Group) .....Jan. 73
Central Manufacturers' Mutual, Van Wert
(See Mutual Fire) .....July 114
Central National, Omaha
(Executive Changes) .....Apr. 118
Central Surety, Kansas City
(Increases Dividend) .....Mar. 115
Central Union, Raritan Township
(See Scottish Union) .....May 111
Century Indemnity, Hartford
(Increases Capital) .....Feb. 98
Chubb & Son, New York
(Additional Coverage Endorsement) May 114
Colonial Insurance, Los Angeles
(Reduces Rates) .....Jan. 74
(To Increase Capital) .....Aug. 96
Combined Insurance, Chicago
(Purchases Boston Casualty) ....Jan. 74
La Comercial Insurance, Havana
(Establishes Trust Fund) .....May 104
Commercial Fire & Casualty, Baton Rouge
(Changing Name) .....Mar. 116
Commercial Standard, Fort Worth
(Stock Dividend) .....Jan. 74
Commercial Union, London
(Boston Holdup Loss) .....Feb. 98
Commercial Union Group, New York
(Koeckert Retired) .....Jan. 74
(New Director) .....May 104
Continental Assurance, Chicago
(Proposes Capital Increase) ....June 122
(Terminate Reinsurance Agreement) June 122
Continental Casualty, Chicago
(Premium Volume Up) .....Mar. 116
(Charter Revision) .....Mar. 116
(New Catastrophe Policy) .....Apr. 117
(Self-underwritten Policy) .....May 105
(New Accident Policy) .....May 105
(Proposes Capital Increase) ....June 122
(Terminate Reinsurance Agreement) June 122
Continental Casualty Group, Chicago
(New Vice President) .....Jan. 75
(Increases Capital) .....Aug. 96
Continental Insurance, New York
(1949 Results) .....Feb. 98
Dearborn National Group, Detroit
(Investment Violation Charge Upheld) .....Mar. 116
(Michigan Department Upheld) ..May 105
(Show Cause Order) .....May 105
(Operations Restricted) .....June 122
(Court Order) .....Aug. 96
Dixie Fire & Casualty, Greer
(Organizing) .....Mar. 116
Donegal & Conoy Mutual Fire, Marietta
(Changes Title) .....Apr. 117
Eastern Casualty, New York
(Now Operating) .....June 123
Echo Fire & Title, Charleston
(Leaves Insurance Field) .....Mar. 116
Employers Casualty, Dallas
(Stock Dividend) .....Mar. 117
Employers' Group, Boston
(Executive Committee Appointment) .....Jan. 75
(Boyle Advanced) .....July 111
Employers Reinsurance, Kansas City
(Campbell, Advanced) .....Mar. 117
Equity General, Miami
(Licensed) .....Aug. 96
Erie Insurance, New York
(New Company) .....Apr. 118
Excelsior Insurance, Syracuse
(New Director) .....Mar. 117
(1949 Results) .....Mar. 117
Excess Reinsurance, New York
(Two New Members) .....Feb. 98
Family Mutual Life, Wilmington
(See North American Mutual) .....Jan. 80
Farm Bureau Mutual Auto., Columbus
(New Polio Policy) .....June 123
Farm Bureau Mutual Fire, Columbus
(New Chairman) .....May 106
Farmers Union Mutual, Burke
(Changes Name) .....Apr. 118
Federal Insurance, New York
(Advancements) .....Apr. 118
Federated Mutual Implement, Owatonna
(See Mutual Implement) .....June 128
Fidelity and Deposit, Baltimore
(New President) .....Feb. 99
(Report to Stockholders) .....Mar. 117
(Staff Changes) .....Mar. 118
(New Officers) .....Aug. 97
Fidelity & Guaranty, Baltimore
(New Secretary) .....Jan. 75
Fidelity-Phenix Fire, New York
(See Continental Insurance) .....Feb. 98
Fire Association Group, Philadelphia
(New Secretary) .....June 123
(New Vice President) .....Aug. 97
(Dempsey Director) .....Aug. 97
Fire & Casualty, Hartford
(New Company) .....Feb. 99
Fireman's Fund Indemnity, San Francisco
(New Vice Presidents) .....Apr. 119
Fireman's Fund Insurance, San Francisco
(Writing Fire Deductibles) .....Aug. 97
Florida Home, Miami
(Organizing) .....June 124
Founders' Fire & Marine, Los Angeles
(To Change Name) .....July 111
Founders Ins., Los Angeles
(See Founders F. & M.) .....July 111
Franklin Casualty, Tulsa
(Licensed) .....Mar. 118
General Accident, Philadelphia
(Executive Appointment) .....Aug. 98
General Bonding, Oklahoma City
(New Officers) .....June 124
General Indemnity, St. Louis
(Dissolution Requested) .....May 106
General Reinsurance, New York
(Cathcart Reigins Company) ....Mar. 118
(New Directors) .....Apr. 119
General Reinsurance, New York
(Stock Purchased) .....July 111
Germantown Fire, Philadelphia
(Recapitalization) .....Feb. 99
Gibraltar Casualty, Los Angeles
(Completes Liquidation) .....Jan. 75
Glens Falls Group, Glens Falls
(Volume and Earnings Rise) .....Jan. 75
Globe & Rutgers Fire, New York
(Stock Split) .....Jan. 76
Government Employees, Washington
(To Increase Capital) .....Mar. 118
(Dividend Actions) .....Apr. 119
(Stock Dividend) .....May 106
(Stock Dividend Declared) .....June 124
Great American Group, New York
(Official Staff Changes) .....May 106
Great American Indemnity, New York
(Increases Dividend) .....Apr. 119
Great American Insurance, New York
(Recapitalizing) .....Jan. 76
Guarantee of N. A., Montreal
(New President) .....Jan. 76
Guaranty Fire & Marine, Charleston
(Licensed) .....June 124
Gulf Insurance, Dallas
(New Money) .....Jan. 76
Gulf Insurance, Dallas
(Increases Dividend) .....Aug. 98
Hackettstown Mutual Fire, Hackettstown
(Liquidation) .....June 121

Hamilton Fire, New York
(Changes Hands) ....Jan. 76
Hanover Fire, New York
(Names Director) ....Jan. 76
Hanover Group, New York
(New Vice President) ....July 111
Hartford Accident, Hartford
(New Director) ....Jan. 77
(Record Year) ....Feb. 99
(Staff Changes) ....Apr. 119
Hawkeye-Security Insurance, Des Moines
(Merger Approved) ....July 111
Health Insurance Plan, New York
(Increases Rates) ....Jan. 77
Home Fire & Marine, San Francisco
(See Western National) ....Feb. 106
Home Group, New York
(Semi-annual Dividend) ....July 111
(New Directors) ....July 111
Home Indemnity, New York
(Staff Changes) ....May 106
(To Be Enlarged) ....May 108
Home Insurance, New York
(Black Advanced) ....Feb. 100
(1949 Operating Results) ....Mar. 118
(Amends N. Y. License) ....Aug. 98
Home Mutual Casualty, Chicago
(Licensed) ....June 125
Horace Mann Mutual, Springfield
(See I.E.A. Mutual) ....June 126
Houston Fire & Casualty, Fort Worth
(Capital Increase) ....May 106
Hudson Insurance, New York
(Munro, President) ....Feb. 100
I.E.A. Mutual Insurance, Springfield
(Adopts New Name) ....June 126
Illinois Automobile Club, Chicago
(See U. S. Mutual) ....June 131
Illinois Casualty, Moline
(Begins Business) ....June 126
Illinois National, Springfield
(Increases Par Value) ....Feb. 100
Indemnity of N. A., Philadelphia
(Stock Dividend) ....Jan. 77
(Enters Inland Marine Field) ....Feb. 100
Independence Insurance, Los Angeles
(Granted Stock Permit) ....Feb. 100
Industrial Indemnity, San Francisco
(Merger Approved) ....Apr. 120
Insurance Company of N. A., Philadelphia
(Multiple Lines) ....Apr. 120
(Leaves Bureaus) ....May 107
Insurance of N.A. Group, Philadelphia
(Reinsurance in U. S. A.) ....July 112
Insurance Co. of Texas, Dallas
(Licensed) ....July 112
Insurance Corporation, Dublin
(Establishes Trust Fund) ....May 107
Insurance of St. Louis, St. Louis
(Organizing) ....Feb. 101
Insurors Indemnity, Tulsa
(Stock Dividend) ....July 112
Inter-Ocean Insurance, Cincinnati
(Stock Dividend) ....Jan. 77
Inter-Ocean Reinsurance, Cedar Rapids
(Stock Dividend) ....Jan. 77
Jefferson Insurance, New York
(Incorporating) ....Feb. 101
(Licensed) ....Aug. 98
Keystone Automobile Club, Philadelphia
(Merged) ....Feb. 101
(Official Staff Change) ....June 126
Keystone Mutual Casualty, Pittsburgh
(Found Guilty) ....Jan. 77
(Rehabilitation Plan Rejected) ..Mar. 119
LaSalle Casualty, Chicago
(Converts to Stock Basis) ....Jan. 78
(Not Involved) ....June 126
Liberty Mutual Fire, Boston
(See United Mutual Fire) ....Jan. 83
(Advancements) ....Feb. 101
(New Vice President) ....Apr. 120
(Competition Saves Lives) ....May 107
Lincoln Casualty, Wilmington
(New Company) ....Jan. 78
Lloyd's of London, London
(Chairmanships) ....Jan. 78
Lloyd's of London, London
(N. Y. Law Applicable) ....July 112
London Assurance, London
(Official Staff Changes) ....Apr. 120
Loyal Automobile, Los Angeles
(Licensed) ....Apr. 120
Lumbermens Mutual Casualty, Chicago
(New Polio Policy) ....May 108
(Advancements) ....Aug. 99
Maine Bonding & Casualty, Portland
(Staff Changes) ....Feb. 101
Manufacturers Casualty, Philadelphia
(Stock Dividend) ....Feb. 102
(New Treasurer) ....Mar. 119
(New Officers) ....May 108
Manufacturers Casualty, Philadelphia
(Purchased by Transamerica) ....July 113
Manufacturers Fire, Philadelphia
(New Treasurer) ....Mar. 119
(New Officers) ....May 108
Manufacturers Fire, Philadelphia
(Purchased by Transamerica) ....July 113
Manufacturers & Merchants, Cincinnati
(Capital Revised) ....Feb. 102
Marquette Casualty, New Orleans
(Licensed) ....Feb. 102
(Increases Capital) ....Aug. 99
Maryland Casualty, Baltimore
(Year-end Extra) ....Jan. 79
(New Director) ....Jan. 79
(Increases Dividend) ....June 127
(To Enter Fire Field) ....June 127
(New Contracts) ....June 127
Merchants Casualty, Los Angeles
(Completing Liquidation) ....May 108
Michigan Mutual Liability, Detroit
(New Directors) ....May 108
Mid-Century Insurance, Los Angeles
(Forming) ....Jan. 79
Mid-Continent Insurance, Amarillo
(Increasing Capital) ....Jan. 79
Midwest Insurance, Indianapolis
(Warning Sounded) ....May 108
Millers National, Chicago
(New Director) ....Apr. 120
Minnehoma Insurance, Tulsa
(Licensed) ....Apr. 122
Missouri Valley Mutual, Burke
(See Farmers Union Mutual) ....Apr. 118
Mutual Assurance, Versailles
(Licensed) ....June 127
Mutual Benefit Health, Omaha
(New Director) ....May 108
Mutual Benefit, Omaha
(Commissioners Approve Purchase) ....July 113
(New Vice President) ....July 114
Mutual Boiler, Boston
(To Change Title) ....Mar. 119
(Changes Title) ....Apr. 122
Mutual Fire, Saco
(Merged) ....July 114
(Rescinds Merger) ....Aug. 99
Mutual Implement & Hardware, Owatonna
(New Title) ....June 128
National Farmers Union, Denver
(New Title) ....July 114
(Broader Charter) ....July 114
National Fire, Hartford
(Official Changes) ....Jan. 79
National Fire & Marine, Omaha
(New Affiliate) ....Mar. 119
National Indemnity, Omaha
(Stock Dividend) ....Jan. 80
(See National Fire & Marine) ..Mar. 119
National Union Fire, Pittsburgh
(New Director) ....Jan. 80
Newark Fire, Raritan Township
(Changes Name) ....June 128
N. J. Mfrs. Assn. Fire, Trenton
(Dividends to Policyholders) ....May 109
N. J. Mfrs. Casualty, Trenton
(Dividends to Policyholders) ....May 109
New York Casualty, New York
(New Directors) ....Jan. 80
New York Life, New York
(To Write Group A. & H.) ....Aug. 99
North American Mutual, Wilmington
(Absorbs Life Company) ....Jan. 80
Northern Insurance, New York
(Proposed Capital Increase) ....July 114
(Financing Completed) ....Aug. 100
Northwestern Mutual Fire, Seattle
(1949 Operating Results) ....Mar. 120
Northwestern National, Milwaukee
(Stock Dividend) ....Mar. 120
(1949 Results) ....Mar. 120
Norwich Union Group, Norwich
(To Merge Subsidiaries) ....May 109
Olympic Insurance, Los Angeles
(Stock Dividend) ....Feb. 102
Pacific Employers, Los Angeles
(Stock Split) ....May 109
Pacific Indemnity, Los Angeles
(Dividend Increase) ....Jan. 81
(Official Staff Change) ....June 128
Pacific States Fire & Indemnity, Portland
(Incorporated) ....June 128
Pan American Casualty, Houston
(McPherson, Advanced) ....May 110
Paramount Fire, New York
(Purchased by Transamerica) ....Jan. 81
(Capital Increase Planned) ....May 110
Peerless Casualty, Keene
(New Officer) ....May 110
Pennsylvania Lumbermens, Philadelphia
(New Directors) ....Jan. 81
Peerless Casualty, Keene
(Cummins, Advanced) ....Mar. 120
Phoenix Insurance, Hartford
(Recapitalizing) ....Jan. 81
Physicians Life & Casualty, St. Louis
(Purchased and Reorganized) ..June 128
Piedmont Fire, Charlotte
(Merger Plans) ....Jan. 82
Plymouth Mutual Casualty, Chicago
(Licensed) ....June 129
Preferred Accident, New York
(New Director) ....Jan. 82
Potomac Insurance, Philadelphia
(See General Accident) ....Aug. 98
Preferred Mutual Fire, New Berlin
(Auto Dividend Increased) ....July 115
Premier Insurance, San Francisco
(New President) ....May 110
Providence Washington Group, Providence
(1949 Results) ....Mar. 122
(Subsidiary Absorbed) ....June 129
Provident Life, Chattanooga
(Expands Non-Can. Business) ....Feb. 102
(Hospital Extras) ....May 110
(Increases Limits) ....May 110
Prudential Insurance, New York
(See Hudson Insurance) ....Feb. 100
Public National Insurance, Miami Beach
(New General Manager) ....Feb. 103
Reinsurance Corporation, New York
(New Vice President) ....May 110
Reinsurance Group, New York
(Dividend Declaration) ....July 115
(New Director) ....July 115
Reliable Mutual, Philadelphia
(New Company) ....Jan. 82
Republic Insurance, Dallas
(Preferred Stock Financing) ....June 129
Rhode Island Insurance, Providence
(Examination Report) ....Jan. 82
(Status Clarified) ....Mar. 122
(Appeals to Fed. Govt.) ....Apr. 122
(Loses New Jersey Licenses) ....June 130
(Federal Court Keeps Hands Off) ....June 130
(Asks California Liquidation) ..July 115
(Permanent Receiver Appointed) ..Aug. 100
Rhode Island Mutual, Providence
(Shortens Title) ....June 130
Rochester American, New York
(Increases Capital) ....Jan. 83
St. Louis Casualty, St. Louis
(Dissolution Requested) ....May 110
St. Paul Fire & Marine, St. Paul
(New Director) ....Feb. 104
St. Paul Group, St. Paul
(Bancroft Advanced) ....Jan. 83
(1949 Operating Figures) ....Feb. 103
Scottish Union Group, Edinburgh
(Subsidiaries Merged) ....May 111
Seaboard Fire & Marine, New York
(Resumes Dividends) ....Mar. 122
Security Group, New Haven
(Official Staff Changes) ....Apr. 122
(New Director) ....Apr. 123
Security Insurance, New Haven
(Merges Affiliates) ....July 115
Service Casualty, New York
(Nilsen, Advanced) ....May 111
Service Fire, New York
(Nilsen, Advanced) ....May 111
Shawnee Mutual, Columbus
(New President) ....May 111
Skandia Insurance, New York
(See Hudson Insurance) ....Feb. 100
Southeastern-Fidelity Fire, Atlanta
(New Company) ....Feb. 104
Southern Fire & Casualty, Knoxville
(Additional Stock Sold) ....June 130
Southwest Casualty, Fayetteville
(New Money) ....Feb. 104
Southwestern Fire & Casualty, Dallas
(Capital Increase) ....Feb. 105
(New Director) ....Feb. 105
(New Directors) ....Mar. 123
Southwestern Mutual Fire, Los Angeles
(Licensed) ....Feb. 105
Springfield Group, Springfield
(New Directors) ....Apr. 123
(Cordner, Advanced) ....Apr. 123
Standard Accident, Detroit
(Stockholders' Report) ....Mar. 123
(Increases Dividend) ....Mar. 124
Standard Fire & Casualty, Houston
(Licensed) ....Apr. 123
Standard Fire, Hartford
(See Automobile Insurance) ....Mar. 115
State Farm Cos., Bloomington
(Merged—Name Changed) ....Aug. 100
State Farm Mutual Auto., Bloomington
(Reaches an Accord) ....Mar. 124
(Reduces Rates) ....Apr. 123
(Rate Reductions) ....May 46
(Auto Rate Changes) ....June 61
(New Officer) ....Aug. 102
Superior Insurance, Dallas
(Stock Dividend) ....Jan. 83
Texas Casualty Insurance, Austin
(Change in Control) ....Feb. 105
Textile Insurance, High Point
(New Officer) ....Feb. 105
Transamerica, San Francisco
(See Paramount Fire) ....Jan. 81
Transport Indemnity, Los Angeles
(Converted Reciprocal) ....Mar. 124
Transportation Insurance, Chicago
(Resources Increased) ....Jan. 83
Travelers Group, Hartford
(Advancements) ....Feb. 105
(Main Street) ....May 111
(Wilson, Advanced) ....May 112
Travelers Health, Omaha
(Case Reheard) ....May 112
Travelers Health, Omaha
(State Regulation Strengthened) July 116
Twin City Fire, Minneapolis
(Stock Dividend) ....Feb. 105

Union Casualty, Omaha
(Liquidation Application Withdrawn) Jan. 83
United Benefit Life, Omaha
(See Mutual Benefit) ..... July 113
United Casualty, Cedar Rapids
(Capital Increased) ..... Feb. 106
(Changes Title) ..... Aug. 102
(Broadens Charter) ..... Aug. 102
United Firemen's, Philadelphia
(New Director) ..... Feb. 106
United Mutual Fire, Boston
(Changing Title) ..... Jan. 83
United Pacific Insurance, Tacoma
(Increases Capital) ..... Jan. 84
United Services Automobile, San Antonio
(Broadens By-Laws) ..... June 131
U. S. Fidelity & Guaranty, Baltimore
(Price Set) ..... Feb. 106
(1949 Results) ..... Mar. 125
(Financing Highly Successful) .. Mar. 125
(Dividend) ..... Apr. 124
U. S. Guarantee, New York
(Official Staff Change) ..... June 131
(Mobley Advanced) ..... Aug. 102
United States Mutual, Chicago
(Ordered to Cease Business) .... May 112
(Answers Show Cause Order) .... May 112
(Reprieve Granted) ..... May 112
(To Start Probe) ..... June 131
U. S. Mutual, Chicago
($401,000 Deficit Charged) ..... July 116
Universal Mutual Casualty, Chicago
(New Officers) ..... Feb. 106
Universal Underwriters, Kansas City
(New Company) ..... Jan. 84
Vigilant Insurance, New York
(Advancements) ..... Apr. 118
Western & Kentucky, Louisville
(Capital Increase) ..... Jan. 84
Western Casualty & Surety, Fort Scott
(Increases Authorized Capital .. Aug. 102
Western National, San Francisco
(Merged) ..... Feb. 106
Western Surety, Regina
(New Canadian Company) ..... Mar. 125
William Penn Fire, Philadelphia
(See Rhode Island Insurance) .. June 130
(Suspends Operations) ..... Aug. 102
Workmen's Auto, Los Angeles
(New Company) ..... Jan. 84
World Fire & Marine, Hartford
(Recapitalization) ..... Feb. 106
Yorkshire Group, London
(Robinson, U. S. Manager) ..... Apr. 124
Yorkshire Insurance, London
(Robinson U. S. Manager) ..... Jan. 84
Zurich General Accident, Zurich
(Names U. S. Officials) ..... Jan. 84

LIST OF ADVERTISERS

- - In This Issue - -

Accident and Casualty Ins. Co., New York, N. Y. 48
Aetna Insurance Group, Hartford, Conn. 23
Affiliated National Hotels 16
Allstate Insurance Co., Chicago, Ill. 82
American Appraisal Co., The, Milwaukee, Wis. 9
American Associated Ins. Cos., St. Louis, Mo. 6
American Casualty Co., Reading, Pa. 88
American Fire and Casualty Co., Orlando, Fla. 96
American Home Fire Assurance Co., New York, N. Y. 83
American Insurance Group, The, Newark, N. J. 36
American Reinsurance Group, New York, N. Y. ..... Opp. Editorial
American Surety Group, New York, N. Y. 19
American Title and Ins. Co., Miami, Fla. 12
Anchor Casualty Co., St. Paul, Minn. 98
Bituminous Casualty Corp., Rock Island, Ill. 5
Burroughs Adding Machine Co., Detroit, Mich. 59
Canadian Fire Ins. Co., The, Winnipeg, Can. 35
Central Surety and Insurance Corp., Kansas City, Mo. 86
Cobb and Co., James G., Durham, N. C. 44
Columbia Ribbon & Carbon Mfg. Co., Glen Cove, N. Y. 92
Commercial Standard Ins. Co., Fort Worth, Texas 73
Conover & Co., Chase, Chicago, Ill. 87
Constitution Reinsurance Corp., The, New York, N. Y. 58
Continental Casualty Co., Chicago, Ill. 69
Corroon & Reynolds, Inc., New York, N. Y. 26
Cotton Insurance Association, Atlanta, Ga. 31
C-O-Two Fire Equipment Co., Newark, N. J. 89
Crum & Forster, New York, N. Y. 32
Cudd & Coan, Inc., Spartanburg, S. C. 74
Dale & Company, Ltd., Montreal, Can. 87
Dinling, Henry, Los Angeles, Cal. 82
Dotson Company, H. S., Helena, Montana 44
Eastman Kodak Co., Rochester, N. Y. 55
Employers Ins. Co. of Alabama, The, Birmingham, Ala. 92
Employers Reinsurance Corp., Kansas City, Mo. 94
Excess Ins. Co. of America, New York, N. Y. 20
Excess Underwriters, Inc., New York, N. Y. 102
Fairfield & Ellis, Boston, Mass. 44
Fairfield, Ellis & Grant, Ltd., Montreal, Can. 87
Filing Equipment Bureau, Inc., Boston, Mass. 64
Fire Association Group, Philadelphia, Pa. 3
Fireman's Fund Group, San Francisco, Cal. 13
Firemen's Insurance Co., Newark, N. J. 10
Fort Shelby Hotel, Detroit, Mich. 8
Fulton Fire Ins. Co., The, New York, N. Y. 24
General Acc. Fire & Life Assur. Corp., Philadelphia, Pa. 41
Globe and Rutgers Fire Ins. Co., New York, N. Y. 83
Gras Mfg. Co., The, Hartford, Conn. 65
Hampson & Son, Ltd., Robert, Montreal, Can. 44
Hann Ltd., Francis M., Vancouver, B. C. 44
Hanover Fire Ins. Co., The, New York, N. Y. 34
Harford Mutual Ins. Co., The, Bel Air, Md. 28
Hawkeye Security Ins. Co., Des Moines, Iowa 97
Hobson, Christie & Co., Ltd., Vancouver, B. C. 44
Hoey, Ellison & Frost, Inc., New York, N. Y. 44
Hollenden Hotel, Cleveland, Ohio 96
Home Ins. Co., The, New York, N. Y. 24
Howard & Co., Robert, Montreal, Can. 44
Hunter Lyon, Inc., Miami, Fla. 44
Illinois Fire Ins. Co., Chicago, Ill. 76
Industrial Ins. Co., Des Moines, Iowa 97
Insurance Co. of North America, Philadelphia, Pa. ..... Back Cover
Insurance Co., State of Pa., Philadelphia, Pa. 83
Inter-Ocean Reinsurance Co., Cedar Rapids, Iowa 93
Jones & Proctor Bros., Ltd., Toronto, Can. 44
Kolob Corp., The, Salt Lake City, Utah 44
La Mers Studio, New York, N. Y. 81
Leonhart & Co., Baltimore, Md. 98
Lloyd Thomas Co., The, Chicago, Ill. 28
London Assurance Group, The, New York, N. Y. 42
Loyalty Group, Newark, N. J. 19
Mahon Co., John H., The, Columbus, Ohio 44
Manning & Sons, T. A., Dallas, Texas 44
Maryland Casualty Co., Baltimore, Md. 101
Melling & Bevingtons, Ltd., Montreal, Can. 87
Millers National Ins. Co., Chicago, Ill. 76
Mosler Safe Co., The, New York, N. Y. 63
Moyer Agency, Inc., R. Kirk, New Orleans, La. 44
Mutual Benefit Health & Accident Assn., Omaha, Neb. 78
National Retailers Mutual Ins. Co., Chicago, Ill. 84
National Surety Corp., New York, N. Y. 50
National Union & Birmingham Group, Pittsburgh, Pa. 30
Nelson & Stross, New York, N. Y. 44
New Amsterdam Casualty Co., Baltimore, Md. 97
Northwestern Mutual Fire Assn., Seattle, Wash. 46
Ohio Farmers Ins. Co., LeRoy, Ohio 49
Pacific National Fire Ins. Co., San Francisco, Cal. 72
Paramount Fire Ins. Co., San Francisco Cal. 79
Parsons Paper Co., Holyoke, Mass. 91
Paull & Sons, Inc., Alfred, Wheeling, W. Va. 44
Pearl Assurance Group, New York, N. Y. 27
Pollard, Jr., Oklahoma City, Okla. 44
Potomac Ins. Co., The, Washington, D. C. 41
Preferred Fire Ins. Co., The, Topeka, Kan. 75
Provident Life & Accident Ins. Co., Chattanooga, Tenn. 40
Redmond & Shaughnessy Ltd., Montreal, Can. 44
Reed, Shaw & McNaught, Montreal, Can. 44
Reinsurance Underwriters, Inc., San Francisco, Cal. 74
Remington Rand, Inc., (Management Controls Div.), N. Y., N. Y. 66
Remington Rand, Inc., (Business Machines Div.), N. Y., N. Y. 54
Rimmer & Co., Frank, Dallas, Texas 44
Ritter General Agency, Denver, Colo. 44
Royal-Liverpool Group, New York, N. Y. 75
Ryan Agency Ltd., Winnipeg, Can. 45
St. Louis Fire & Marine Ins. Co., St. Louis, Mo. 99
Schroeder Hotels, Milwaukee, Wis. 12
Security Mutual Casualty Co., Chicago, Ill. 35
Security National Fire Ins. Co., Dallas, Texas 79
Seibels, Bruce & Co., Columbia, S. C. 43
Sikes Co., Inc., The, Buffalo, N. Y. 69
Southern Fire & Casualty Co., Knoxville, Tenn. 71
Spear and Co., Inc., San Francisco, Cal. 44
Standard of Detroit Group, Detroit, Mich. 70
State Farm Ins. Cos., Bloomington, Ill. 100
Statler Hotel, New York, N. Y. 4
Stewart, Smith (Canada) Ltd., Montreal, Can. 45
Strand Hotel, Atlantic City, N. J. 9
Summers, Joe W., San Antonio, Texas 44
Sun Insurance Office, New York, N. Y. 50
Travelers Insurance Co., The, Hartford, Conn. 2
Tressel & Associates, Harry S., Chicago, Ill. 87
Trinity Universal Ins. Co., Dallas, Texas 79
Tri State Ins. Cos., Tulsa, Okla. 42
United Pacific Ins. Co., Tacoma, Wash. 108
United States Casualty Co., New York, N. Y. 8
United States Fidelity & Guaranty Cos., Baltimore, Md. 90
Utilities Insurance Co., St. Louis, Mo. 72
Walker & Lippitt, Miami, Fla. 44
Washington Fire & Marine Ins. Co., St. Louis, Mo. 99
Weston Co., Byron, Dalton, Mass. 64
Willis, Faber & Co., Montreal, Can. 45
Wilson & Company, Ltd., A. E., Toronto, Canada 45
Wilson, Stewart, Bennie Ltd., Montreal, Canada 87
Wolfe, Corcoran & Linder, New York, N. Y. 87
Woodward and Foudiller, Inc., New York, N. Y. 87
Woodward, Ryan, Sharp & Davis, New York, N. Y. 87
Worcester Mutual Fire Ins. Co., Worcester, Mass. 32
Yorkshire Insurance Group, New York, N. Y. 68
Zurich American Ins. Cos., Chicago, Ill. 47

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